

SUBURBAN PROPANE PARTNERS LP

Form 10-K

November 26, 2014

[Table of Contents](#)

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended September 27, 2014**

.. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 1-14222**

SUBURBAN PROPANE PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

**Delaware
(State or other jurisdiction of**

**22-3410353
(I.R.S. Employer**

incorporation or organization)

Identification No.)

240 Route 10 West

Whippany, NJ 07981

(973) 887-5300

(Address, including zip code, and telephone number,

including area code, of registrant s principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

**Title of each class
Common Units**

**Name of each exchange on which registered
New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company)

Smaller reporting company

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Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

The aggregate market value as of March 29, 2014 of the registrant's Common Units held by non-affiliates of the registrant, based on the reported closing price of such units on the New York Stock Exchange on such date (\$40.89 per unit), was approximately \$2,465,914,000.

Documents Incorporated by Reference: None

Total number of pages (excluding Exhibits): 141

Table of Contents

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

INDEX TO ANNUAL REPORT ON FORM 10-K

	Page
<u>PART I</u>	
ITEM 1. <u>BUSINESS</u>	1
ITEM 1A. <u>RISK FACTORS</u>	10
ITEM 1B. <u>UNRESOLVED STAFF COMMENTS</u>	22
ITEM 2. <u>PROPERTIES</u>	22
ITEM 3. <u>LEGAL PROCEEDINGS</u>	22
ITEM 4. <u>MINE SAFETY DISCLOSURES</u>	22
<u>PART II</u>	
ITEM 5. <u>MARKET FOR THE REGISTRANT'S COMMON UNITS, RELATED UNITHOLDER MATTERS AND ISSUER PURCHASES OF UNITS</u>	23
ITEM 6. <u>SELECTED FINANCIAL DATA</u>	24
ITEM 7. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	27
ITEM 7A. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	47
ITEM 8. <u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	50
ITEM 9. <u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	53
ITEM 9A. <u>CONTROLS AND PROCEDURES</u>	53
ITEM 9B. <u>OTHER INFORMATION</u>	54
<u>PART III</u>	
ITEM 10. <u>DIRECTORS, EXECUTIVE OFFICERS AND PARTNERSHIP GOVERNANCE</u>	55
ITEM 11. <u>EXECUTIVE COMPENSATION</u>	61
ITEM 12. <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED UNITHOLDER MATTERS</u>	88
ITEM 13. <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	90
ITEM 14. <u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	91
<u>PART IV</u>	
ITEM 15. <u>EXHIBITS, FINANCIAL STATEMENT SCHEDULES</u>	92

SIGNATURES

Table of Contents

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements (Forward-Looking Statements) as defined in the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended, relating to future business expectations and predictions and financial condition and results of operations of Suburban Propane Partners, L.P. (the Partnership). Some of these statements can be identified by the use of forward-looking terminology such as prospects, outlook, believes, estimates, intends, may, will, should, anticipates, the negative or other variation of these or similar words, or by discussion of trends and conditions, strategies or risks and uncertainties. These Forward-Looking Statements involve certain risks and uncertainties that could cause actual results to differ materially from those discussed or implied in such Forward-Looking Statements (statements contained in this Annual Report identifying such risks and uncertainties are referred to as Cautionary Statements). The risks and uncertainties and their impact on the Partnership s results include, but are not limited to, the following risks:

The impact of weather conditions on the demand for propane, fuel oil and other refined fuels, natural gas and electricity;

Volatility in the unit cost of propane, fuel oil and other refined fuels and natural gas, the impact of the Partnership s hedging and risk management activities, and the adverse impact of price increases on volumes as a result of customer conservation;

The cost savings expected from the Partnership s acquisition of the retail propane operations formerly owned by Inergy, L.P. (the Inergy Propane Acquisition) may not be fully realized or realized within the expected time frame;

The costs of integrating the business acquired in the Inergy Propane Acquisition into the Partnership s existing operations may be greater than expected;

The ability of the Partnership to compete with other suppliers of propane, fuel oil and other energy sources;

The impact on the price and supply of propane, fuel oil and other refined fuels from the political, military or economic instability of the oil producing nations, global terrorism and other general economic conditions;

The ability of the Partnership to acquire sufficient volumes of, and the costs to the Partnership of acquiring, transporting and storing, propane, fuel oil and other refined fuels;

The ability of the Partnership to acquire and maintain reliable transportation for its propane, fuel oil and other refined fuels;

The ability of the Partnership to retain customers or acquire new customers;

The impact of customer conservation, energy efficiency and technology advances on the demand for propane, fuel oil and other refined fuels, natural gas and electricity;

The ability of management to continue to control expenses;

The impact of changes in applicable statutes and government regulations, or their interpretations, including those relating to the environment and global warming, derivative instruments and other regulatory developments on the Partnership's business;

The impact of changes in tax laws that could adversely affect the tax treatment of the Partnership for income tax purposes;

The impact of legal proceedings on the Partnership's business;

The impact of operating hazards that could adversely affect the Partnership's operating results to the extent not covered by insurance;

The Partnership's ability to make strategic acquisitions and successfully integrate them, including but not limited to Inergy Propane;

The impact of current conditions in the global capital and credit markets, and general economic pressures;

The operating, legal and regulatory risks Suburban may face; and

Other risks referenced from time to time in filings with the Securities and Exchange Commission (SEC) and those factors listed or incorporated by reference into this Annual Report under Risk Factors.

Some of these Forward-Looking Statements are discussed in more detail in Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report. On different occasions, the Partnership or its representatives have made or may make Forward-Looking Statements in other filings with the SEC, press releases or oral statements made by or with the approval of one of the Partnership's authorized executive officers. Readers are cautioned not to place undue reliance on Forward-Looking Statements, which reflect management's view only as of the date made. The Partnership undertakes no obligation to update any Forward-Looking Statement or Cautionary Statement, except as required by law. All subsequent written and oral Forward-Looking Statements attributable to the Partnership or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements in this Annual Report and in future SEC reports. For a more complete discussion of specific factors which could cause actual results to differ from those in the Forward-Looking Statements or Cautionary Statements, see Risk Factors in this Annual Report.

Table of Contents

PART I

ITEM 1. BUSINESS

Development of Business

Suburban Propane Partners, L.P. (the Partnership), a publicly traded Delaware limited partnership, is a nationwide marketer and distributor of a diverse array of products meeting the energy needs of our customers. We specialize in the distribution of propane, fuel oil and refined fuels, as well as the marketing of natural gas and electricity in deregulated markets. In support of our core marketing and distribution operations, we install and service a variety of home comfort equipment, particularly in the areas of heating and ventilation. We believe, based on *LP/Gas Magazine* dated February 2014, that we are the third largest retail marketer of propane in the United States, measured by retail gallons sold in the calendar year 2013. As of September 27, 2014, we were serving the energy needs of approximately 1.2 million residential, commercial, industrial and agricultural customers through approximately 710 locations in 41 states with operations principally concentrated in the east and west coast regions of the United States, including Alaska. We sold approximately 530.7 million gallons of propane and 49.1 million gallons of fuel oil and refined fuels to retail customers during the year ended September 27, 2014. Together with our predecessor companies, we have been continuously engaged in the retail propane business since 1928.

We conduct our business principally through Suburban Propane, L.P., a Delaware limited partnership, which operates our propane business and assets (the Operating Partnership), and its direct and indirect subsidiaries. Our general partner, and the general partner of our Operating Partnership, is Suburban Energy Services Group LLC (the General Partner), a Delaware limited liability company whose sole member is the Chief Executive Officer of the Partnership. Since October 19, 2006, the General Partner has no economic interest in either the Partnership or the Operating Partnership (which means that the General Partner is not entitled to any cash distributions of either partnership, nor to any cash payment upon the liquidation of either partnership, nor any other economic rights in either partnership) other than as a holder of 784 Common Units of the Partnership. Additionally, under the Third Amended and Restated Agreement of Limited Partnership (the Partnership Agreement) of the Partnership, there are no incentive distribution rights for the benefit of the General Partner. The Partnership owns (directly and indirectly) all of the limited partner interests in the Operating Partnership. The Common Units represent 100% of the limited partner interests in the Partnership.

On August 1, 2012 (the Acquisition Date), we acquired the sole membership interest in Inergy Propane, LLC, including certain wholly-owned subsidiaries of Inergy Propane LLC, and the assets of Inergy Sales and Service, Inc. (the Inergy Propane Acquisition). The acquired interests and assets are collectively referred to as Inergy Propane. As of the Acquisition Date, Inergy Propane consisted of the former retail propane assets and operations, as well as the assets and operations of the refined fuels business, of Inergy, L.P. (Inergy), a publicly traded limited partnership at the time of the acquisition. On the Acquisition Date, Inergy Propane and its remaining wholly-owned subsidiaries which we acquired in the Inergy Propane Acquisition became subsidiaries of our Operating Partnership, but were merged into the Operating Partnership on April 30, 2013. The results of operations of Inergy Propane are included in the Partnership's results of operations beginning on the Acquisition Date.

With the Inergy Propane Acquisition, we effectively doubled the size of our customer base and expanded our geographic reach into eleven (11) new states, including establishing a presence in portions of the midwest region of the United States. The Inergy Propane Acquisition was consistent with key elements of our business strategy to focus on businesses that complement our existing business segments and that can extend our presence in strategically attractive markets. This acquisition has provided, and will continue to provide, us with an opportunity to apply our

operational expertise and customer-oriented initiatives to a much larger enterprise in order to enhance our growth prospects and cash flow profile. The total cost of the Inergy Propane Acquisition, as measured by the fair value of the total consideration was approximately \$1.9 billion.

Direct and indirect subsidiaries of the Operating Partnership include Suburban Heating Oil Partners, LLC, which owns and operates the assets of our fuel oil and refined fuels business; Agway Energy Services, LLC, which owns and operates the assets of our natural gas and electricity business; and Suburban Sales and Service, Inc., which conducts a portion of our service work and appliance and parts business. Our fuel oil and refined fuels, natural gas and electricity and services businesses are structured as either limited liability companies that are treated as corporations or corporate entities (collectively referred to as Corporate Entities) and, as such, are subject to corporate level income tax.

Table of Contents

Suburban Energy Finance Corp., a direct 100%-owned subsidiary of the Partnership, was formed on November 26, 2003 to serve as co-issuer, jointly and severally with the Partnership, of the Partnership's senior notes. Suburban Energy Finance Corp. has nominal assets and conducts no business operations.

In this Annual Report, unless otherwise indicated, the terms Partnership, Suburban, we, us, and our are used to refer to Suburban Propane Partners, L.P. and its consolidated subsidiaries, including the Operating Partnership. The Partnership and the Operating Partnership commenced operations in March 1996 in connection with the Partnership's initial public offering of Common Units.

We currently file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and current reports on Form 8-K with the SEC. You may read and receive copies of any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any information filed by us is also available on the SEC's EDGAR database at www.sec.gov.

Upon written request or through an information request link from our website at www.suburbanpropane.com, we will provide, without charge, copies of our Annual Report on Form 10-K for the year ended September 27, 2014, each of the Quarterly Reports on Form 10-Q, current reports filed or furnished on Form 8-K and all amendments to such reports as soon as is reasonably practicable after such reports are electronically filed with or furnished to the SEC. Requests should be directed to: Suburban Propane Partners, L.P., Investor Relations, P.O. Box 206, Whippany, New Jersey 07981-0206. The information contained on our website is not included as part of, or incorporated by reference into, this Annual Report on Form 10-K.

Our Strategy

Our business strategy is to deliver increasing value to our Unitholders through initiatives, both internal and external, that are geared toward achieving sustainable profitable growth and steady or increased quarterly distributions. The following are key elements of our strategy:

Internal Focus on Driving Operating Efficiencies, Right-Sizing Our Cost Structure and Enhancing Our Customer Mix. We focus internally on improving the efficiency of our existing operations, managing our cost structure and improving our customer mix. Through investments in our technology infrastructure, we continue to seek to improve operating efficiencies and the return on assets employed. We have developed a streamlined operating footprint and management structure to facilitate effective resource planning and decision making. Our internal efforts are particularly focused in the areas of route optimization, forecasting customer usage, inventory control, cash management and customer tracking. In connection with the Inergy Propane Acquisition, we have developed, and are implementing, a detailed integration plan to combine the best practices of the two companies while, at the same time, continuing to pursue efficiencies and operational excellence. Our strategy will include continuing to execute on our integration plans and staying focused on providing exceptional service to the combined customer base. We will pursue opportunities to drive operational efficiencies across a broader geography. Our systems platform is advanced and scalable and we will seek to leverage that technology for enhanced routing, forecasting and customer relationship management, as well as centralizing certain back office functions within the former Inergy Propane operations.

Growing Our Customer Base by Improving Customer Retention and Acquiring New Customers. We set clear objectives to focus our employees on seeking new customers and retaining existing customers by providing highly responsive customer service. We believe that customer satisfaction is a critical factor in the growth and success of our operations. ***Our Business is Customer Satisfaction*** is one of our core operating philosophies. We measure and reward our customer service centers based on a combination of profitability of the individual customer service center

and net customer growth. We have made investments in training our people both on techniques to provide exceptional customer service to our existing customer base, as well as advanced sales training focused on growing our customer base.

Table of Contents

Selective Acquisitions of Complementary Businesses or Assets. Externally, we seek to extend our presence or diversify our product offerings through selective acquisitions. Our acquisition strategy is to focus on businesses with a relatively steady cash flow that will extend our presence in strategically attractive markets, complement our existing business segments or provide an opportunity to diversify our operations. We are very patient and deliberate in evaluating acquisition candidates. Consistent with this strategy, the Inergy Propane Acquisition, completed on August 1, 2012, was a transformative event for Suburban by expanding our geographic reach, doubling the size of our customer base and providing us with opportunities to achieve operational synergies by combining operations in overlapping territories and implementing our operating model and systems platform on a much larger business.

Selective Disposition of Non-Strategic Assets. We continuously evaluate our existing facilities to identify opportunities to optimize our return on assets by selectively divesting operations in slower growing markets, generating proceeds that can be reinvested in markets that present greater opportunities for growth. Our objective is to maximize the growth and profit potential of all of our assets.

Business Segments

We manage and evaluate our operations in five operating segments, three of which are reportable segments: Propane, Fuel Oil and Refined Fuels and Natural Gas and Electricity. These business segments are described below. See the Notes to the Consolidated Financial Statements included in this Annual Report for financial information about our business segments.

Propane

Propane is a by-product of natural gas processing and petroleum refining. It is a clean burning energy source recognized for its transportability and ease of use relative to alternative forms of stand-alone energy sources. Propane use falls into three broad categories:

residential and commercial applications;

industrial applications; and

agricultural uses.

In the residential and commercial markets, propane is used primarily for space heating, water heating, clothes drying and cooking. Industrial customers use propane generally as a motor fuel to power over-the-road vehicles, forklifts and stationary engines, to fire furnaces, as a cutting gas and in other process applications. In the agricultural market, propane is primarily used for tobacco curing, crop drying, poultry brooding and weed control.

Propane is extracted from natural gas or oil wellhead gas at processing plants or separated from crude oil during the refining process. It is normally transported and stored in a liquid state under moderate pressure or refrigeration for ease of handling in shipping and distribution. When the pressure is released or the temperature is increased, propane becomes a flammable gas that is colorless and odorless, although an odorant is added to allow its detection. Propane is clean burning and, when consumed, produces only negligible amounts of pollutants.

Product Distribution and Marketing

We distribute propane through a nationwide retail distribution network consisting of approximately 700 locations in 41 states as of September 27, 2014. Our operations are principally concentrated in the east and west coast regions of the United States, including Alaska. As of September 27, 2014, we serviced approximately 1,027,000 propane customers. Typically, our customer service centers are located in suburban and rural areas where natural gas is not readily available. Generally, these customer service centers consist of an office, appliance showroom, warehouse and service facilities, with one or more 18,000 to 30,000 gallon storage tanks on the premises. Most of our residential customers receive their propane supply through an automatic delivery system. These deliveries are scheduled through proprietary computer technology, based upon each customer's historical consumption patterns and prevailing weather conditions. Additionally, we offer our customers a budget payment plan whereby the customer's estimated annual propane purchases and service contracts are paid for in a series of estimated equal monthly payments over a twelve-month period. From our customer service centers, we also sell, install and service equipment to customers who purchase propane from us including heating and cooking appliances and, at some locations, propane fuel systems for motor vehicles.

Table of Contents

We sell propane primarily to six customer markets: residential, commercial, industrial (including engine fuel), agricultural, other retail users and wholesale. Approximately 97% of the propane gallons sold by us in fiscal 2014 were to retail customers: 49% to residential customers, 26% to commercial customers, 7% to industrial customers, 5% to agricultural customers and 13% to other retail users. The balance of approximately 3% of the propane gallons sold by us in fiscal 2014 was for risk management activities and wholesale customers. No single customer accounted for 10% or more of our propane revenues during fiscal 2014.

Retail deliveries of propane are usually made to customers by means of bobtail and rack trucks. Propane is pumped from bobtail trucks, which have capacities ranging from 2,125 gallons to 2,975 gallons of propane, into a stationary storage tank on the customers' premises. The capacity of these storage tanks ranges from approximately 100 gallons to approximately 1,200 gallons, with a typical tank having a capacity of 300 to 400 gallons. As is common in the propane industry, we own a significant portion of the storage tanks located on our customers' premises. We also deliver propane to retail customers in portable cylinders, which typically have a capacity of 5 to 35 gallons. When these cylinders are delivered to customers, empty cylinders are refilled in place or transported for replenishment at our distribution locations. We also deliver propane to certain other bulk end users in larger trucks known as transports, which have an average capacity of approximately 9,000 gallons. End users receiving transport deliveries include industrial customers, large-scale heating accounts, such as local gas utilities that use propane as a supplemental fuel to meet peak load delivery requirements, and large agricultural accounts that use propane for crop drying.

Supply

Our propane supply is purchased from approximately 53 oil companies and natural gas processors at approximately 190 supply points located in the United States and Canada. We make purchases primarily under one-year agreements that are subject to annual renewal, and also purchase propane on the spot market. Supply contracts generally provide for pricing in accordance with posted prices at the time of delivery or the current prices established at major storage points, and some contracts include a pricing formula that typically is based on prevailing market prices. Some of these agreements provide maximum and minimum seasonal purchase guidelines. Propane is generally transported from refineries, pipeline terminals, storage facilities (including our storage facility in Elk Grove, California) and coastal terminals to our customer service centers by a combination of common carriers, owner-operators and railroad tank cars. See Item 2 of this Annual Report.

Historically, supplies of propane have been readily available from our supply sources. However, during the fiscal 2014 heating season, we were adversely affected by supply constraints resulting from industry-wide supply shortages and logistics issues involving propane transportation sourcing and costs. Nevertheless, through relationships with our suppliers and extraordinary efforts by our supply and logistics personnel, we were able to effectively manage the challenging environment in fiscal 2014 without a material disruption in supply. Although we make no assurance regarding the availability of supplies of propane in the future, we currently expect to be able to secure adequate supplies during fiscal 2015. During fiscal 2014, Crestwood Midstream Partners L.P. (Crestwood), Targa Liquids Marketing and Trade (Targa) and Enterprise Products Partners L.P. (Enterprise) provided approximately 19%, 13% and 13% of our total propane purchases, respectively. No other single supplier accounted for more than 10% of our propane purchases in fiscal 2014. The availability of our propane supply is dependent on several factors, including the severity of winter weather, the magnitude of competing demands for available supply (e.g., crop drying and exports), the availability of transportation and storage infrastructure and the price and availability of competing fuels, such as natural gas and fuel oil. We believe that if supplies from Crestwood, Targa or Enterprise were interrupted, we would be able to secure adequate propane supplies from other sources without a material disruption of our operations. Nevertheless, the cost of acquiring and transporting such propane might be higher and, at least on a short-term basis, our margins could be affected. Approximately 94% of our total propane purchases were from domestic suppliers in fiscal 2014.

We seek to reduce the effect of propane price volatility on our product costs and to help ensure the availability of propane during periods of short supply. We are currently a party to forward and option contracts with various third parties to purchase and sell propane at fixed prices in the future. These activities are monitored by our senior management through enforcement of our Hedging and Risk Management Policy. See Items 7 and 7A of this Annual Report.

Table of Contents

We own and operate a large propane storage facility in California. We also operate smaller storage facilities in other locations and have rights to use storage facilities in additional locations. These storage facilities enable us to buy and store large quantities of propane particularly during periods of low demand, which generally occur during the summer months. This practice helps ensure a more secure supply of propane during periods of intense demand or price instability. As of September 27, 2014, the majority of our storage capacity in California was leased to third parties.

Competition

According to the US Census Bureau's 2013 American Community Survey, propane ranks as the fourth most important source of residential energy in the nation, with about 5% of all households using propane as their primary space heating fuel. This level has not changed materially over the previous two decades. As an energy source, propane competes primarily with natural gas, electricity and fuel oil, principally on the basis of price, availability and portability.

Propane is more expensive than natural gas on an equivalent British Thermal Unit (BTU) basis in locations serviced by natural gas, but it is an alternative or supplement to natural gas in rural and suburban areas where natural gas is unavailable or portability of product is required. Historically, the expansion of natural gas into traditional propane markets has been inhibited by the capital costs required to expand pipeline and retail distribution systems. Although the recent extension of natural gas pipelines to previously unserved geographic areas tends to displace propane distribution in those areas, we believe new opportunities for propane sales may arise as new neighborhoods are developed in geographically remote areas. However, over the last few years, fewer new housing developments have been started in our service areas as a result of recent economic circumstances. The increasing availability of natural gas extracted from shale deposits in the United States may accelerate the extension of natural gas pipelines in the future.

Propane has some relative advantages over other energy sources. For example, in certain geographic areas, propane is generally less expensive to use than electricity for space heating, water heating, clothes drying and cooking. Utilization of fuel oil is geographically limited (primarily in the northeast), and even in that region, propane and fuel oil are not significant competitors because of the cost of converting from one to the other.

In addition to competing with suppliers of other energy sources, our propane operations compete with other retail propane distributors. The retail propane industry is highly fragmented and competition generally occurs on a local basis with other large full-service multi-state propane marketers, thousands of smaller local independent marketers and farm cooperatives. Based on industry statistics contained in *2012 Sales of Natural Gas Liquids and Liquefied Refinery Gases*, as published by the American Petroleum Institute in December 2013, and *LP/Gas Magazine* dated February 2014, the ten largest retailers, including us, account for approximately 44% of the total retail sales of propane in the United States. Each of our customer service centers operates in its own competitive environment because retail marketers tend to locate in close proximity to customers in order to lower the cost of providing service. Our typical customer service center has an effective marketing radius of approximately 50 miles, although in certain areas the marketing radius may be extended by one or more satellite offices. Most of our customer service centers compete with five or more marketers or distributors.

Fuel Oil and Refined Fuels

Product Distribution and Marketing

We market and distribute fuel oil, kerosene, diesel fuel and gasoline to approximately 57,000 residential and commercial customers primarily in the northeast region of the United States. Sales of fuel oil and refined fuels for

fiscal 2014 amounted to 49.1 million gallons. Approximately 66% of the fuel oil and refined fuels gallons sold by us in fiscal 2014 were to residential customers, principally for home heating, 8% were to commercial customers, and 7% to other users. Sales of diesel and gasoline accounted for the remaining 19% of total volumes sold in this segment during fiscal 2014. Fuel oil has a more limited use, compared to propane, and is used almost exclusively for space and water heating in residential and commercial buildings. We sell diesel fuel and gasoline to commercial and industrial customers for use primarily to operate motor vehicles.

Table of Contents

Approximately 41% of our fuel oil customers receive their fuel oil under an automatic delivery system. These deliveries are scheduled through proprietary computer technology, based upon each customer's historical consumption patterns and prevailing weather conditions. Additionally, we offer our customers a budget payment plan whereby the customer's estimated annual fuel oil purchases are paid for in a series of estimated equal monthly payments over a twelve-month period. From our customer service centers, we also sell, install and service equipment to customers who purchase fuel oil from us including heating appliances.

Deliveries of fuel oil are usually made to customers by means of tankwagon trucks, which have capacities ranging from 2,500 gallons to 3,000 gallons. Fuel oil is pumped from the tankwagon truck into a stationary storage tank that is located on the customer's premises, which is owned by the customer. The capacity of customer storage tanks ranges from approximately 275 gallons to approximately 1,000 gallons. No single customer accounted for 10% or more of our fuel oil revenues during fiscal 2014.

Supply

We obtain fuel oil and other refined fuels in pipeline, truckload or tankwagon quantities, and have contracts with certain pipeline and terminal operators for the right to temporarily store fuel oil at 14 terminal facilities we do not own. We have arrangements with certain suppliers of fuel oil, which provide open access to fuel oil at specific terminals throughout the northeast. Additionally, a portion of our purchases of fuel oil are made at local wholesale terminal racks. In most cases, the supply contracts do not establish the price of fuel oil in advance; rather, prices are typically established based upon market prices at the time of delivery plus or minus a differential for transportation and volume discounts. We purchase fuel oil from approximately 25 suppliers at approximately 60 supply points. While fuel oil supply is more susceptible to longer periods of supply constraint than propane, we believe that our supply arrangements will provide us with sufficient supply sources. Although we make no assurance regarding the availability of supplies of fuel oil in the future, we currently expect to be able to secure adequate supplies during fiscal 2015.

Competition

The fuel oil industry is a mature industry with total demand expected to remain relatively flat to moderately declining. The fuel oil industry is highly fragmented, characterized by a large number of relatively small, independently owned and operated local distributors. We compete with other fuel oil distributors offering a broad range of services and prices, from full service distributors to those that solely offer the delivery service. We have developed a wide range of sales programs and service offerings for our fuel oil customer base in an attempt to be viewed as a full service energy provider and to build customer loyalty. For instance, like most companies in the fuel oil business, we provide home heating equipment repair service to our fuel oil customers on a 24-hour a day basis. The fuel oil business unit also competes for retail customers with suppliers of alternative energy sources, principally natural gas, propane and electricity.

Natural Gas and Electricity

We market natural gas and electricity through our 100%-owned subsidiary, Agway Energy Services, LLC (AES), in the deregulated markets of New York and Pennsylvania primarily to residential and small commercial customers. Historically, local utility companies provided their customers with all three aspects of electric and natural gas service: generation, transmission and distribution. However, under deregulation, public utility commissions in several states are licensing energy service companies, such as AES, to act as alternative suppliers of the commodity to end consumers. In essence, we make arrangements for the supply of electricity or natural gas to specific delivery points. The local utility companies continue to distribute electricity and natural gas on their distribution systems. The business

strategy of this segment is to expand its market share by concentrating on growth in the customer base and expansion into other deregulated markets that are considered strategic markets.

We serve over 80,000 natural gas and electricity customers in New York and Pennsylvania. During fiscal 2014, we sold approximately 4.3 million dekatherms of natural gas and 476.2 million kilowatt hours of electricity through the natural gas and electricity segment. Approximately 83% of our customers were residential households and the remainder were small commercial and industrial customers. New accounts are obtained through numerous marketing and advertising programs, including telemarketing and direct mail initiatives. Most local utility companies have established billing service arrangements whereby customers receive a single bill from the local utility company which includes distribution charges from the local utility company, as well as product charges for the amount of natural gas or electricity provided by AES and utilized by the customer. We have arrangements with several local utility companies that provide billing and collection services for a fee. Under these arrangements, we are paid by the local utility company for all or a portion of customer billings after a specified number of days following the customer billing with no further recourse to AES.

Table of Contents

Supply of natural gas is arranged through annual supply agreements with major national wholesale suppliers. Pricing under the annual natural gas supply contracts is based on posted market prices at the time of delivery, and some contracts include a pricing formula that typically is based on prevailing market prices. The majority of our electricity requirements are purchased through the New York Independent System Operator (NYISO) under an annual supply agreement, as well as purchase arrangements through other national wholesale suppliers on the open market. Electricity pricing under the NYISO agreement is based on local market indices at the time of delivery. Competition is primarily with local utility companies, as well as other marketers of natural gas and electricity providing similar alternatives as AES.

All Other

We sell, install and service various types of whole-house heating products, air cleaners, humidifiers and space heaters to the customers of our propane, fuel oil, natural gas and electricity businesses. Our supply needs are filled through supply arrangements with several large regional equipment manufacturers and distribution companies. Competition in this business segment is primarily with small, local heating and ventilation providers and contractors, as well as, to a lesser extent, other regional service providers. The focus of our ongoing service offerings are in support of the service needs of our existing customer base within our propane, refined fuels and natural gas and electricity business segments. Additionally, we have entered into arrangements with third-party service providers to complement and, in certain instances, supplement our existing service capabilities.

Seasonality

The retail propane and fuel oil distribution businesses, as well as the natural gas marketing business, are seasonal because the primary use of these fuels is for heating residential and commercial buildings. Historically, approximately two-thirds of our retail propane volume is sold during the six-month peak heating season from October through March. The fuel oil business tends to experience greater seasonality given its more limited use for space heating, and approximately three-fourths of our fuel oil volumes are sold between October and March. Consequently, sales and operating profits are concentrated in our first and second fiscal quarters. Cash flows from operations, therefore, are greatest during the second and third fiscal quarters when customers pay for product purchased during the winter heating season. We expect lower operating profits and either net losses or lower net income during the period from April through September (our third and fourth fiscal quarters).

Weather conditions have a significant impact on the demand for our products, in particular propane, fuel oil and natural gas, for both heating and agricultural purposes. Many of our customers rely on propane, fuel oil or natural gas primarily as a heating source. Accordingly, the volume sold is directly affected by the severity of the winter weather in our service areas, which can vary substantially from year to year. In any given area, sustained warmer than normal temperatures will tend to result in reduced propane, fuel oil and natural gas consumption, while sustained colder than normal temperatures will tend to result in greater consumption.

Trademarks and Tradenames

We utilize a variety of trademarks and tradenames owned by us, including Suburban Propane and Suburban Cylinder Express. As part of the Inergy Propane Acquisition, we acquired a number of different tradenames, such as Yates Gas, under which Inergy Propane conducted its business as of the Acquisition Date. Additionally, we hold rights to certain trademarks and tradenames, including Agway in connection with the distribution of petroleum-based fuel and sales and service of heating and ventilation products. We regard our trademarks, tradenames and other proprietary rights as valuable assets and believe that they have significant value in the marketing of our products and services.

Table of Contents

Government Regulation; Environmental and Safety Matters

We are subject to various federal, state and local environmental, health and safety laws and regulations. Generally, these laws impose limitations on the discharge of hazardous materials and pollutants and establish standards for the handling, transportation, treatment, storage and disposal of solid and hazardous wastes and can require the investigation and cleanup of environmental contamination. These laws include the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Clean Air Act, the Occupational Safety and Health Act, the Emergency Planning and Community Right to Know Act, the Clean Water Act and comparable state statutes. CERCLA, also known as the Superfund law, imposes joint and several liability without regard to fault or the legality of the original conduct on certain classes of persons that are considered to have contributed to the release or threatened release of a hazardous substance into the environment. Propane is not a hazardous substance within the meaning of CERCLA, whereas some constituents contained in fuel oil are considered hazardous substances. We own real property at locations where such hazardous substances may be present as a result of prior activities.

We expect that we will be required to expend funds to participate in the remediation of certain sites, including sites where we have been designated as a potentially responsible party under CERCLA or comparable state statutes and at sites with aboveground and underground fuel storage tanks. We will also incur other expenses associated with environmental compliance. We continually monitor our operations with respect to potential environmental issues, including changes in legal requirements and remediation technologies.

Through an acquisition in fiscal 2004, and in the Inergy Propane Acquisition, we acquired certain properties with either known or probable environmental exposure, some of which are currently in varying stages of investigation, remediation or monitoring. Additionally, certain of the active sites acquired contained environmental conditions which required further investigation, future remediation or ongoing monitoring activities. The environmental exposures included instances of soil and/or groundwater contamination associated with the handling and storage of fuel oil, gasoline and diesel fuel. With respect to certain of the properties acquired in the Inergy Propane Acquisition, Inergy is contractually obligated to indemnify us for the costs associated with the investigation, monitoring, remediation and/or resolution of identified conditions. As of September 27, 2014, we had accrued environmental liabilities of \$0.6 million representing the total estimated future liability for remediation and monitoring of all of our properties.

Estimating the extent of our responsibility at a particular site, and the method and ultimate cost of remediation of that site, requires making numerous assumptions. As a result, the ultimate cost to remediate any site may differ from current estimates, and will depend, in part, on whether there is additional contamination, not currently known to us, at that site. However, we believe that our past experience provides a reasonable basis for estimating these liabilities. As additional information becomes available, estimates are adjusted as necessary. While we do not anticipate that any such adjustment would be material to our financial statements, the result of ongoing or future environmental studies or other factors could alter this expectation and require recording additional liabilities. We currently cannot determine whether we will incur additional liabilities or the extent or amount of any such liabilities, or the extent to which such additional liabilities would be subject to the contractual indemnification of Inergy.

National Fire Protection Association (NFPA) Pamphlet Nos. 54 and 58, which establish rules and procedures governing the safe handling of propane, or comparable regulations, have been adopted, in whole, in part or with state addenda, as the industry standard for propane storage, distribution and equipment installation and operation in all of the states in which we operate. In some states these laws are administered by state agencies, and in others they are administered on a municipal level.

NFPA Pamphlet Nos. 30, 30A, 31, 385 and 395, which establish rules and procedures governing the safe handling of distillates (fuel oil, kerosene and diesel fuel) and gasoline, or comparable regulations, have been adopted, in whole, in part or with state addenda, as the industry standard for fuel oil, kerosene, diesel fuel and gasoline storage, distribution and equipment installation/operation in all of the states in which we sell those products. In some states these laws are administered by state agencies and in others they are administered on a municipal level.

Table of Contents

With respect to the transportation of propane, distillates and gasoline by truck, we are subject to regulations promulgated under the Federal Motor Carrier Improvement Safety Act. These regulations cover the transportation of hazardous materials and are administered by the United States Department of Transportation or similar state agencies. We conduct ongoing training programs to help ensure that our operations are in compliance with applicable safety regulations. We maintain various permits that are necessary to operate our facilities, some of which may be material to our operations. We believe that the procedures currently in effect at all of our facilities for the handling, storage, transportation and distribution of propane, distillates and gasoline are consistent with industry standards and are in compliance, in all material respects, with applicable laws and regulations.

The Department of Homeland Security (DHS) has published regulations under 6 CFR Part 27 Chemical Facility Anti-Terrorism Standards. We have a number of facilities registered with the DHS. Because our facilities are currently operating under the security programs developed under guidelines issued by the Department of Transportation, Department of Labor and Environmental Protection Agency, we do not anticipate that we will incur significant costs in connection with our ongoing efforts to comply with these DHS regulations.

In December 2009, the U.S. Environmental Protection Agency (EPA) issued an Endangerment Finding under the Clean Air Act, determining that emissions of carbon dioxide, methane and other greenhouse gases (GHGs) present an endangerment to public health and the environment because emissions of such gases may be contributing to warming of the earth's atmosphere and other climatic changes. Based on these findings, the EPA has begun adopting and implementing regulations to restrict emissions of GHGs and require reporting by certain regulated facilities on an annual basis. The EPA's authority to regulate GHGs was recently upheld by the U.S. Supreme Court.

Both Houses of the United States Congress also have considered adopting legislation to reduce emissions of GHGs. Although Congress has not yet enacted federal climate change legislation, numerous states and municipalities have adopted laws and policies on climate change.

The adoption of federal or state climate change legislation or regulatory programs to reduce emissions of GHGs could require us to incur increased capital and operating costs, with resulting impact on product price and demand. We cannot predict whether or in what form climate change legislation provisions and renewable energy standards may be enacted. In addition, a possible consequence of climate change is increased volatility in seasonal temperatures. It is difficult to predict how the market for our fuels would be affected by increased temperature volatility, although if there is an overall trend of warmer temperatures, it could adversely affect our business.

Future developments, such as stricter environmental, health or safety laws and regulations thereunder, could affect our operations. We do not anticipate that the cost of our compliance with environmental, health and safety laws and regulations, including CERCLA, as currently in effect and applicable to known sites will have a material adverse effect on our financial condition or results of operations. To the extent we discover any environmental liabilities presently unknown to us or environmental, health or safety laws or regulations are made more stringent, however, there can be no assurance that our financial condition or results of operations will not be materially and adversely affected.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was signed into law. The Dodd-Frank Act regulates derivative transactions, which include certain instruments used by the Partnership for risk management activities.

The Dodd-Frank Act requires the Commodity Futures Trading Commission (the CFTC) and the SEC to promulgate rules and regulations relating to, among other things, swaps, participants in the derivatives markets, clearing of swaps and reporting of swap transactions. In general, the Dodd-Frank Act subjects swap transactions and participants to

greater regulation and supervision by the CFTC and the SEC and will require many swaps to be cleared through a registered CFTC- or SEC-clearing facility and executed on a designated exchange or swap execution facility.

Required transactional margins, capital, recordkeeping, reporting, clearing and settlement as a result of legislation (such as the Dodd-Frank Act) and related existing and proposed administrative rulemaking may increase our operational and transactional cost of entering and maintaining derivatives contracts and adversely affect the number and/or creditworthiness of derivatives counterparties available to us. If we reduce our use of derivatives as a result of legislation and regulations, our results of operations may become more volatile and our cash flow may be less predictable.

Table of Contents

Many of the states in which we do business have passed laws prohibiting unfair or deceptive practices in transactions between consumers and sellers of products used for residential purposes, which give the Attorney General or other officials of that state the authority to investigate alleged violations of those laws. From time to time, we receive inquiries or requests for additional information under these laws from the offices of Attorneys General or other government officials in connection with the sale of our products to residential customers. Based on information to date, we do not believe that the costs or liabilities associated with such inquiries or requests will result in a material adverse effect on our financial condition or results of operations; however, there can be no assurance that our financial condition or results of operations may not be materially and adversely affected as a result of current or future government investigations or civil litigation derived therefrom.

Employees

As of September 27, 2014, we had 3,796 full time employees, of whom 708 were engaged in general and administrative activities (including fleet maintenance), 37 were engaged in transportation and product supply activities and 3,051 were customer service center employees. As of September 27, 2014, 121 of our employees were represented by 16 different local chapters of labor unions. We believe that our relations with both our union and non-union employees are satisfactory. From time to time, we hire temporary workers to meet peak seasonal demands.

ITEM 1A. RISK FACTORS

Investing in our common units involves a high degree of risk. The most significant risks include those described below; however, additional risks that we currently do not know about may also impair our business operations. You should carefully consider the following risk factors, as well as the other information in this Annual Report. If any of the following risks actually occurs, our business, results of operations and financial condition could be materially adversely affected. In this case, the trading price of our common units would likely decline and you might lose part or all of the value in our common units. You should carefully consider the specific risk factors set forth below as well as the other information contained or incorporated by reference in this Annual Report. Some factors in this section are Forward-Looking Statements. See Disclosure Regarding Forward-Looking Statements above.

Risks Related to Our Business and Industry

Since weather conditions may adversely affect demand for propane, fuel oil and other refined fuels and natural gas, our results of operations and financial condition are vulnerable to warm winters.

Weather conditions have a significant impact on the demand for propane, fuel oil and other refined fuels and natural gas for both heating and agricultural purposes. Many of our customers rely on propane, fuel oil or natural gas primarily as a heating source. The volume of propane, fuel oil and natural gas sold is at its highest during the six-month peak heating season of October through March and is directly affected by the severity of the winter. Typically, we sell approximately two-thirds of our retail propane volume and approximately three-fourths of our retail fuel oil volume during the peak heating season.

Actual weather conditions can vary substantially from year to year, significantly affecting our financial performance. For example, average temperatures in our service territories were 3% colder than normal, and 4% and 14% warmer than normal for fiscal 2014, fiscal 2013 and fiscal 2012, respectively, as measured by the number of heating degree days reported by the National Oceanic and Atmospheric Administration (NOAA). Furthermore, variations in weather in one or more regions in which we operate can significantly affect the total volume of propane, fuel oil and other refined fuels and natural gas we sell and, consequently, our results of operations. Variations in the weather in the

northeast, where we have a greater concentration of propane accounts and substantially all of our fuel oil and natural gas operations, generally have a greater impact on our operations than variations in the weather in

Table of Contents

other markets. We can give no assurance that the weather conditions in any quarter or year will not have a material adverse effect on our operations, or that our available cash will be sufficient to pay principal and interest on our indebtedness and distributions to Unitholders.

Sudden increases in our costs to acquire and transport propane, fuel oil and other refined fuels and natural gas due to, among other things, our inability to obtain adequate supplies from our usual suppliers, or our inability to obtain adequate supplies of such products from alternative suppliers, may adversely affect our operating results.

Our profitability in the retail propane, fuel oil and refined fuels and natural gas businesses is largely dependent on the difference between our costs to acquire and transport product and retail sales price. Propane, fuel oil and other refined fuels and natural gas are commodities, and the availability of those products, and the unit prices we need to pay to acquire and transport those products, are subject to volatile changes in response to changes in supply or other market conditions over which we have no control, including the severity of winter weather, the price and availability of competing alternative energy sources, competing demands for the products and infrastructure (including highway, rail, pipeline and refinery) constraints. Our supply of these products from our usual sources may be interrupted due to these and other reasons that are beyond our control, necessitating the transportation of product, if it is available at all, by truck, rail car or other means from other suppliers in other areas, with resulting delay in receipt and delivery to customers and increased expense. As a result, our costs of acquiring and transporting alternative supplies of these products to our facilities might be materially higher at least on a short-term basis. Since we may not be able to pass on to our customers immediately, or in full, all increases in our wholesale and transportation costs of propane, fuel oil and other refined fuels and natural gas, these increases could reduce our profitability. In addition, our inability to obtain sufficient supplies of propane, fuel oil and other refined fuels and natural gas in order for us to fully meet our customer demand for these products on a timely basis could adversely affect our revenues, and consequently our profitability.

In general, product supply contracts permit suppliers to charge posted prices at the time of delivery or the current prices established at major supply points, including Mont Belvieu, Texas, and Conway, Kansas. We engage in transactions to manage the price risk associated with certain of our product costs from time to time in an attempt to reduce cost volatility and to help ensure availability of product. We can give no assurance that future increases in our costs to acquire and transport propane, fuel oil and natural gas will not have a material adverse effect on our profitability and cash flow, or that our available cash will be sufficient to pay principal and interest on our indebtedness and distributions to our Unitholders.

High prices for propane, fuel oil and other refined fuels and natural gas can lead to customer conservation, resulting in reduced demand for our product.

Prices for propane, fuel oil and other refined fuels and natural gas are subject to fluctuations in response to changes in wholesale prices and other market conditions beyond our control. Therefore, our average retail sales prices can vary significantly within a heating season or from year to year as wholesale prices fluctuate with propane, fuel oil and natural gas commodity market conditions. During periods of high propane, fuel oil and other refined fuels and natural gas product costs our selling prices generally increase. High prices can lead to customer conservation, resulting in reduced demand for our product.

Because of the highly competitive nature of the retail propane and fuel oil businesses, we may not be able to retain existing customers or acquire new customers, which could have an adverse impact on our operating results and financial condition.

The retail propane and fuel oil industries are mature and highly competitive. We expect overall demand for propane and fuel oil to be relatively flat to moderately declining over the next several years. Year-to-year industry volumes of propane and fuel oil are expected to be primarily affected by weather patterns and from competition intensifying during warmer than normal winters, as well as from the impact of a sustained higher commodity price environment on customer conservation and the impact of continued weakness in the economy on customer buying habits.

Table of Contents

Propane and fuel oil compete with electricity, natural gas and other existing and future sources of energy, some of which are, or may in the future be, less costly for equivalent energy value. For example, natural gas currently is a significantly less expensive source of energy than propane and fuel oil on an equivalent BTU basis. As a result, except for some industrial and commercial applications, propane and fuel oil are generally not economically competitive with natural gas in areas where natural gas pipelines already exist. The gradual expansion of the nation's natural gas distribution systems has made natural gas available in many areas that previously depended upon propane or fuel oil. We expect this trend to continue, and, with the increasingly abundant supply of natural gas from domestic sources, perhaps accelerate. Propane and fuel oil compete to a lesser extent with each other due to the cost of converting from one to the other.

In addition to competing with other sources of energy, our propane and fuel oil businesses compete with other distributors of those respective products principally on the basis of price, service and availability. Competition in the retail propane business is highly fragmented and generally occurs on a local basis with other large full-service multi-state propane marketers, thousands of smaller local independent marketers and farm cooperatives. Our fuel oil business competes with fuel oil distributors offering a broad range of services and prices, from full service distributors to those offering delivery only. In addition, our existing fuel oil customers, unlike our existing propane customers, generally own their own tanks, which can result in intensified competition for these customers.

As a result of the highly competitive nature of the retail propane and fuel oil businesses, our growth within these industries depends on our ability to acquire other retail distributors, open new customer service centers, add new customers and retain existing customers. We can give no assurance that we will be able to acquire other retail distributors, add new customers and retain existing customers.

Energy efficiency, general economic conditions and technological advances have affected and may continue to affect demand for propane and fuel oil by our retail customers.

The national trend toward increased conservation and technological advances, including installation of improved insulation and the development of more efficient furnaces and other heating devices, has adversely affected the demand for propane and fuel oil by our retail customers which, in turn, has resulted in lower sales volumes to our customers. In addition, continued weakness in the economy may lead to additional conservation by retail customers seeking to further reduce their heating costs, particularly during periods of sustained higher commodity prices. Future technological advances in heating, conservation and energy generation and continued economic weakness may adversely affect our volumes sold, which, in turn, may adversely affect our financial condition and results of operations.

Current conditions in the global capital and credit markets, and general economic pressures, may adversely affect our financial position and results of operations.

Our business and operating results are materially affected by worldwide economic conditions. Current conditions in the global capital and credit markets and general economic pressures have led to declining consumer and business confidence, increased market volatility and reduction of business activity generally. As a result of this turmoil, coupled with increasing energy prices, our customers may experience cash flow shortages which may lead to delayed or cancelled plans to purchase our products, and affect the ability of our customers to pay for our products. In addition, disruptions in the U.S. residential mortgage market and the rate of mortgage foreclosures may adversely affect retail customer demand for our products (in particular, products used for home heating and home comfort equipment) and our business and results of operations.

Our operating results and ability to generate sufficient cash flow to pay principal and interest on our indebtedness, and to pay distributions to Unitholders, may be affected by our ability to continue to control expenses.

The propane and fuel oil industries are mature and highly fragmented with competition from other multi-state marketers and thousands of smaller local independent marketers. Demand for propane and fuel oil is expected to be affected by many factors beyond our control, including, but not limited to, the severity of weather conditions during the peak heating season, customer conservation driven by high energy costs and other economic factors, as well as technological advances impacting energy efficiency. Accordingly, our propane and fuel oil sales volumes and related gross margins may be negatively affected by these factors beyond our control. Our operating profits and ability to generate sufficient cash flow may depend on our ability to continue to control expenses in line with sales volumes. We can give no assurance that we will be able to continue to control expenses to the extent necessary to reduce the effect on our profitability and cash flow from these factors.

Table of Contents

The risk of terrorism, political unrest and the current hostilities in the Middle East or other energy producing regions may adversely affect the economy and the price and availability of propane, fuel oil and other refined fuels and natural gas.

Terrorist attacks, political unrest and the current hostilities in the Middle East or other energy producing regions may adversely impact the price and availability of propane, fuel oil and other refined fuels and natural gas, as well as our results of operations, our ability to raise capital and our future growth. The impact that the foregoing may have on our industry in general, and on us in particular, is not known at this time. An act of terror could result in disruptions of crude oil or natural gas supplies and markets (the sources of propane and fuel oil), and our infrastructure facilities could be direct or indirect targets. Terrorist activity may also hinder our ability to transport propane, fuel oil and other refined fuels if our means of supply transportation, such as rail or pipeline, become damaged as a result of an attack. A lower level of economic activity could result in a decline in energy consumption, which could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism could also affect our ability to raise capital. Terrorist activity, political unrest and hostilities in the Middle East or other energy producing regions could likely lead to increased volatility in prices for propane, fuel oil and other refined fuels and natural gas. We have opted to purchase insurance coverage for terrorist acts within our property and casualty insurance programs, but we can give no assurance that our insurance coverage will be adequate to fully compensate us for any losses to our business or property resulting from terrorist acts.

Our financial condition and results of operations may be adversely affected by governmental regulation and associated environmental and health and safety costs.

Our business is subject to a wide and ever increasing range of federal, state and local laws and regulations related to environmental and health and safety matters including those concerning, among other things, the investigation and remediation of contaminated soil, groundwater and other environmental media, and the transportation of hazardous materials. These requirements are complex, changing and tend to become more stringent over time. In addition, we are required to maintain various permits that are necessary to operate our facilities, some of which are material to our operations. There can be no assurance that we have been, or will be, at all times in complete compliance with all legal, regulatory and permitting requirements or that we will not incur significant costs in the future relating to such requirements. Violations could result in penalties, or the curtailment or cessation of operations.

Moreover, currently unknown environmental issues, such as the discovery of additional contamination, may result in significant additional expenditures, and potentially significant expenditures also could be required to comply with future changes to environmental laws and regulations or the interpretation or enforcement thereof. Such expenditures, if required, could have a material adverse effect on our business, financial condition or results of operations.

We are subject to operating hazards and litigation risks that could adversely affect our operating results to the extent not covered by insurance.

Our operations are subject to all operating hazards and risks normally associated with handling, storing and delivering combustible liquids such as propane, fuel oil and other refined fuels. We have been, and are likely to continue to be, a defendant in various legal proceedings and litigation arising in the ordinary course of business, both as a result of these operating hazards and risks and as a result of other aspects of our business. We are self-insured for general and product, workers compensation and automobile liabilities up to predetermined amounts above which third-party insurance applies. We cannot guarantee that our insurance will be adequate to protect us from all material expenses related to potential future claims for personal injury and property damage or that these levels of insurance will be available at economical prices, or that all legal matters that arise will be covered by our insurance programs.

Table of Contents

If we are unable to make acquisitions on economically acceptable terms or effectively integrate such acquisitions into our operations, our financial performance may be adversely affected.

The retail propane and fuel oil industries are mature. We expect overall demand for propane and fuel oil to be relatively flat to moderately declining over the next several years. With respect to our retail propane business, it may be difficult for us to increase our aggregate number of retail propane customers except through acquisitions. As a result, we expect the success of our financial performance to depend, in part, upon our ability to acquire other retail propane and fuel oil distributors or other energy-related businesses and to successfully integrate them into our existing operations and to make cost saving changes. The competition for acquisitions is intense and we can make no assurance that we will be able to acquire other propane and fuel oil distributors or other energy-related businesses on economically acceptable terms or, if we do, to integrate the acquired operations effectively.

The adoption of climate change legislation could result in increased operating costs and reduced demand for the products and services we provide.

In December 2009, the EPA issued an Endangerment Finding under the Clean Air Act, determining that emissions of GHGs present an endangerment to public health and the environment because emissions of such gases may be contributing to warming of the earth's atmosphere and other climatic changes. Based on these findings, the EPA has begun adopting and implementing regulations to restrict emissions of GHGs and require reporting by certain regulated facilities on an annual basis. The EPA's authority to regulate GHGs was recently upheld by the U.S. Supreme Court.

Both Houses of the United States Congress also have considered adopting legislation to reduce emissions of GHGs. Although Congress has not yet enacted federal climate change legislation, numerous states and municipalities have adopted laws and policies on climate change.

The adoption of federal or state climate change legislation or regulatory programs to reduce emissions of GHGs could require us to incur increased capital and operating costs, with resulting impact on product price and demand. We cannot predict whether or in what form climate change legislation provisions and renewable energy standards may be enacted. In addition, a possible consequence of climate change is increased volatility in seasonal temperatures. It is difficult to predict how the market for our fuels would be affected by increased temperature volatility, although if there is an overall trend of warmer temperatures, it could adversely affect our business.

Our use of derivative contracts involves credit and regulatory risk and may expose us to financial loss.

From time to time, we enter into hedging transactions to reduce our business risks arising from fluctuations in commodity prices and interest rates. Hedging transactions expose us to risk of financial loss in some circumstances, including if the other party to the contract defaults on its obligations to us or if there is a change in the expected differential between the price of the underlying commodity or financial metric provided in the hedging agreement and the actual amount received.

Required transactional margins, capital, recordkeeping, reporting, clearing and settlement as a result of legislation (such as the Dodd-Frank Act) and related existing and proposed administrative rulemaking may increase our operational and transactional cost of entering and maintaining derivatives contracts and adversely affect the number and/or creditworthiness of derivatives counterparties available to us. If we reduce our use of derivatives as a result of legislation and regulations, our results of operations may become more volatile and our cash flow may be less predictable.

Because we depend on particular management information systems to effectively manage all aspects of our delivery of propane, a failure in our operational systems or cyber security attacks on any of our facilities, or those of third parties, may adversely affect our financial results.

We depend on our management information systems to process orders, manage inventory and accounts receivable collections, maintain distributor and customer information, maintain cost-efficient operations and assist in delivering our products on a timely basis. In addition, our staff of management information systems professionals relies heavily on the support of several key personnel and vendors. Any disruption in the operation of those management information systems, loss of employees knowledgeable about such systems, termination of our relationship with one or more of these key vendors or failure to continue to modify such systems effectively as our business expands could negatively affect our business.

Table of Contents

If any of our financial, operational, or other data processing systems fail or have other significant shortcomings, our financial results could be adversely affected. Our financial results also could be adversely affected if an employee or third party causes our operational systems to fail, either as a result of inadvertent error or by deliberately tampering with or manipulating our operational systems. In addition, dependence upon automated systems may further increase the risk that operational system flaws, employee tampering or manipulation of those systems will result in losses that are difficult to detect or recoup, including damage to our reputation. To the extent customer data is hacked or misappropriated, we could be subject to liability to affected persons.

Risks Related to the Inergy Propane Acquisition and the Related Transactions

We may not be able to successfully complete the integration of Inergy Propane's operations with our operations, which could cause our business to suffer.

In order to obtain all of the anticipated benefits of the Inergy Propane Acquisition, we need to fully combine and integrate the businesses and operations of Inergy Propane with ours. Although we have developed, and have substantially implemented, a detailed integration plan, the complete integration of two large businesses is a complex and costly process. We continue to devote significant management attention and resources to integrating all of the business practices and operations of Suburban and Inergy Propane. Although we believe that it has not yet done so, the integration process may, in the future, divert the attention of our executive officers and management from day-to-day operations and disrupt the business of Suburban and, if not completed effectively, may preclude realization of the full expected benefits of the transaction.

Our failure to meet the challenges involved in successfully completing the full integration of Inergy Propane's operations with our operations or otherwise to realize any of the anticipated benefits of the Inergy Propane Acquisition could adversely affect our results of operations. In addition, the overall integration of Suburban and Inergy Propane may yet result in unanticipated problems, expenses, liabilities and competitive responses. Although not yet experienced to any significant degree, possible difficulties that may yet arise from our continuing efforts to fully combine our two operations could include, among others:

operating a significantly larger combined company with operations in more geographic areas;

maintaining employee morale and retaining key employees;

developing and implementing employment policies to facilitate workforce integration, and, where applicable, labor and union relations;

preserving important strategic and customer relationships; and

fully integrating the cultures of Suburban and Inergy Propane.

In addition, even if we are able to successfully complete the full integration of our businesses and operations, we may not fully realize the expected benefits of the Inergy Propane Acquisition within the intended time frame, or at all. Further, our post-acquisition results of operations may be affected by factors different from those existing prior to the

Inergy Propane Acquisition and may suffer as a result of the Inergy Propane Acquisition. As a result, we can give no assurance that the combination of our business and operations with Inergy Propane will result in the realization of the full benefits anticipated from the Inergy Propane Acquisition.

Table of Contents

We have incurred and continue to incur substantial expenses related to the integration of Inergy Propane.

We have incurred and expect to continue to incur substantial expenses in connection with the Inergy Propane Acquisition and integrating the business, operations, networks, systems, technologies, policies and procedures of Suburban and Inergy Propane. Although Suburban has assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond our control that could affect the total amount or the timing of these integration expenses. Although integration expenses have been, to date, within the expected range, many of the expenses yet to be incurred are, by their nature, difficult to accurately estimate at the present time. Due to these factors, the total transaction and integration expenses associated with the Inergy Propane Acquisition could exceed the savings that we expect to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the businesses. As a result of these expenses, Suburban has taken, and expects to continue to take, charges against its earnings relating to the acquisition and integration of Inergy Propane. The charges relating to the acquisition and integration of Inergy Propane have been and expect to continue to be significant, although the aggregate amount and timing of all such charges are uncertain at present.

Risks Inherent in the Ownership of Our Common Units

Cash distributions are not guaranteed and may fluctuate with our performance and other external factors.

Cash distributions on our Common Units are not guaranteed, and depend primarily on our cash flow and our cash on hand. Because they are not dependent on profitability, which is affected by non-cash items, our cash distributions might be made during periods when we record losses and might not be made during periods when we record profits.

The amount of cash we generate may fluctuate based on our performance and other factors, including:

the impact of the risks inherent in our business operations, as described above;

required principal and interest payments on our debt and restrictions contained in our debt instruments;

issuances of debt and equity securities;

our ability to control expenses;

fluctuations in working capital;

capital expenditures; and

financial, business and other factors, a number which will be beyond our control.

Our Partnership Agreement gives our Board of Supervisors broad discretion in establishing cash reserves for, among other things, the proper conduct of our business. These cash reserves will affect the amount of cash available for distributions.

We have substantial indebtedness. Our debt agreements may limit our ability to make distributions to Unitholders, as well as our financial flexibility.

As of September 27, 2014, our long-term debt borrowings consisted of \$250.0 million in aggregate principal amount of 7.375% senior notes due March 15, 2020 (excluding unamortized discount of \$1.2 million), \$346.2 million in aggregate principal amount of 7.375% senior notes due August 1, 2021 (excluding unamortized premium of \$22.7 million), \$525.0 million in aggregate principal amount of 5.5% senior notes due June 1, 2024, and \$100.0 million under our senior secured revolving credit facility. The payment of principal and interest on our debt will reduce the cash available to make distributions on our common units. In addition, we will not be able to make any distributions to holders of our common units if there is, or after giving effect to such distribution, there would be, an event of default under the indentures governing the senior notes. The amount of distributions that we may make to holders of our common units is limited by the senior notes, and the amount of distributions that the Operating Partnership may make to us is limited by our revolving credit facility.

Table of Contents

The revolving credit facility and the senior notes both contain various restrictive and affirmative covenants applicable to us and the Operating Partnership, respectively, including (i) restrictions on the incurrence of additional indebtedness, and (ii) restrictions on certain liens, investments, guarantees, loans, advances, payments, mergers, consolidations, distributions, sales of assets and other transactions. The revolving credit facility contains certain financial covenants: (a) requiring our consolidated interest coverage ratio, as defined, to be not less than 2.0 to 1.0 as of the end of any fiscal quarter (and commencing with the third quarter of fiscal 2014, such minimum ratio is 2.5 to 1.0); (b) prohibiting our total consolidated leverage ratio, as defined, from being greater than 4.75 to 1.0 (or 5.0 to 1.0 during an acquisition period, as defined in the credit agreement governing the credit facility) as of the end of any fiscal quarter; and (c) prohibiting the senior secured consolidated leverage ratio, as defined, of the Operating Partnership from being greater than 3.0 to 1.0 as of the end of any fiscal quarter. Under the indentures governing the senior notes, we are generally permitted to make cash distributions equal to available cash, as defined, as of the end of the immediately preceding quarter, if no event of default exists or would exist upon making such distributions, and our consolidated fixed charge coverage ratio, as defined, is greater than 1.75 to 1. We and the Operating Partnership were in compliance with all covenants and terms of the senior notes and the revolving credit facility as of September 27, 2014.

The amount and terms of our debt may also adversely affect our ability to finance future operations and capital needs, limit our ability to pursue acquisitions and other business opportunities and make our results of operations more susceptible to adverse economic and industry conditions. In addition to our outstanding indebtedness, we may in the future require additional debt to finance acquisitions or for general business purposes; however, credit market conditions may impact our ability to access such financing. If we are unable to access needed financing or to generate sufficient cash from operations, we may be required to abandon certain projects or curtail capital expenditures. Additional debt, where it is available, could result in an increase in our leverage. Our ability to make principal and interest payments depends on our future performance, which is subject to many factors, some of which are beyond our control. As interest expense increases (whether due to an increase in interest rates and/or the size of aggregate outstanding debt), our ability to fund distributions on our Common Units may be impacted, depending on the level of revenue generation, which is not assured.

Unitholders have limited voting rights.

A Board of Supervisors governs our operations. Unitholders have only limited voting rights on matters affecting our business, including the right to elect the members of our Board of Supervisors every three years and the right to vote on the removal of the general partner.

It may be difficult for a third party to acquire us, even if doing so would be beneficial to our Unitholders.

Some provisions of our Partnership Agreement may discourage, delay or prevent third parties from acquiring us, even if doing so would be beneficial to our Unitholders. For example, our Partnership Agreement contains a provision, based on Section 203 of the Delaware General Corporation Law, that generally prohibits the Partnership from engaging in a business combination with a 15% or greater Unitholder for a period of three years following the date that person or entity acquired at least 15% of our outstanding Common Units, unless certain exceptions apply. Additionally, our Partnership Agreement sets forth advance notice procedures for a Unitholder to nominate a Supervisor to stand for election, which procedures may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of Supervisors or otherwise attempting to obtain control of the Partnership. These nomination procedures may not be revised or repealed, and inconsistent provisions may not be adopted, without the approval of the holders of at least 66-2/3% of the outstanding Common Units. These provisions may have an anti-takeover effect with respect to transactions not approved in advance by our Board of Supervisors, including discouraging attempts that might result in a premium over the market price of the Common Units held by

our Unitholders.

Table of Contents

Unitholders may not have limited liability in some circumstances.

A number of states have not clearly established limitations on the liabilities of limited partners for the obligations of a limited partnership. Our Unitholders might be held liable for our obligations as if they were general partners if:

a court or government agency determined that we were conducting business in the state but had not complied with the state's limited partnership statute; or

Unitholders' rights to act together to remove or replace the General Partner or take other actions under our Partnership Agreement are deemed to constitute participation in the control of our business for purposes of the state's limited partnership statute.

Unitholders may have liability to repay distributions.

Unitholders will not be liable for assessments in addition to their initial capital investment in the Common Units. Under specific circumstances, however, Unitholders may have to repay to us amounts wrongfully returned or distributed to them. Under Delaware law, we may not make a distribution to Unitholders if the distribution causes our liabilities to exceed the fair value of our assets. Liabilities to partners on account of their partnership interests and nonrecourse liabilities are not counted for purposes of determining whether a distribution is permitted. Delaware law provides that a limited partner who receives a distribution of this kind and knew at the time of the distribution that the distribution violated Delaware law will be liable to the limited partnership for the distribution amount for three years from the distribution date. Under Delaware law, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of the assignor to make contributions to the partnership. However, such an assignee is not obligated for liabilities unknown to him at the time he or she became a limited partner if the liabilities could not be determined from the partnership agreement.

If we issue additional limited partner interests or other equity securities as consideration for acquisitions or for other purposes, the relative voting strength of each Unitholder will be diminished over time due to the dilution of each Unitholder's interests and additional taxable income may be allocated to each Unitholder.

Our Partnership Agreement generally allows us to issue additional limited partner interests and other equity securities without the approval of our Unitholders. Therefore, when we issue additional Common Units or securities ranking on a parity with the Common Units, each Unitholder's proportionate partnership interest will decrease, and the amount of cash distributed on each Common Unit and the market price of Common Units could decrease. The issuance of additional Common Units will also diminish the relative voting strength of each previously outstanding Common Unit. In addition, the issuance of additional Common Units will, over time, result in the allocation of additional taxable income, representing built-in gains at the time of the new issuance, to those Unitholders that existed prior to the new issuance.

Tax Risks to Unitholders

Our tax treatment depends on our status as a partnership for U.S. federal income tax purposes. The Internal Revenue Service (IRS) could treat us as a corporation, which would substantially reduce the cash available for distribution to Unitholders.

The anticipated after-tax economic benefit of an investment in our Common Units depends largely on our being treated as a partnership for U.S. federal income tax purposes. If less than 90% of the gross income of a publicly traded partnership, such as Suburban Propane Partners, L.P., for any taxable year is qualifying income within the meaning of Section 7704 of the Internal Revenue Code, that partnership will be taxable as a corporation for U.S. federal income tax purposes for that taxable year and all subsequent years.

If we were treated as a corporation for U.S. federal income tax purposes, then we would pay U.S. federal income tax on our income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay additional state income tax at varying rates. Because a tax would be imposed upon us as a corporation, our cash available for distribution to Unitholders would be substantially reduced. Treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to Unitholders and thus would likely result in a substantial reduction in the value of our Common Units.

Table of Contents

The tax treatment of publicly traded partnerships or an investment in our Common Units could be subject to potential legislative, judicial or administrative changes and differing interpretations thereof, possibly on a retroactive basis.

The present U.S. federal income tax treatment of publicly traded partnerships, including Suburban Propane Partners, L.P., or an investment in our Common Units may be modified by legislative, judicial or administrative changes and differing interpretations thereof at any time. Any modification to the U.S. federal income tax laws or interpretations thereof may or may not be applied retroactively. Moreover, any such modification could make it more difficult or impossible for us to meet the exception that allows publicly traded partnerships that generate qualifying income to be treated as partnerships (rather than as corporations) for U.S. federal income tax purposes, affect or cause us to change our business activities, or affect the tax consequences of an investment in our Common Units. For example, legislation proposed by members of Congress and the President has considered substantive changes to the definition of qualifying income. One of the requirements for such classification is that at least 90% of our gross income for each taxable year has been and will be qualifying income within the meaning of Section 7704 of the Internal Revenue Code. Whether we will continue to be classified as a partnership in part depends on our ability to meet this qualifying income test in the future. We have not requested, and do not plan to request, a ruling from the IRS on this or any other tax matter affecting us. We are unable to predict whether any of these changes, or other proposals, will ultimately be enacted. Any such changes could negatively impact the value of an investment in our units.

In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation.

A successful IRS contest of the U.S. federal income tax positions we take may adversely affect the market for our Common Units, and the cost of any IRS contest will reduce our cash available for distribution to our Unitholders.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for U.S. federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with the positions we take. Any contest with the IRS may materially and adversely impact the market for our Common Units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our Unitholders because the costs will reduce our cash available for distribution.

A Unitholder's tax liability could exceed cash distributions on its Common Units.

Because our Unitholders are treated as partners, a Unitholder is required to pay U.S. federal income taxes and state and local income taxes on its allocable share of our income, without regard to whether we make cash distributions to the Unitholder. We cannot guarantee that a Unitholder will receive cash distributions equal to its allocable share of our taxable income or even the tax liability to it resulting from that income.

Ownership of Common Units may have adverse tax consequences for tax-exempt organizations and foreign investors.

Investment in Common Units by certain tax-exempt entities and foreign persons raises issues specific to them. For example, virtually all of our taxable income allocated to organizations exempt from U.S. federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and thus will be taxable to the Unitholder. Distributions to foreign persons will be reduced by withholding taxes at the highest applicable effective tax rate, and foreign persons will be required to file U.S. federal income tax returns and pay tax on their share of our taxable income. Tax-exempt organizations and foreign persons should consult, and should depend

on, their own tax advisors in analyzing the U.S. federal, state, local and foreign income tax and other tax consequences of the acquisition, ownership or disposition of Common Units.

Table of Contents

The ability of a Unitholder to deduct its share of our losses may be limited.

Various limitations may apply to the ability of a Unitholder to deduct its share of our losses. For example, in the case of taxpayers subject to the passive activity loss rules (generally, individuals and closely held corporations), any losses generated by us will only be available to offset our future income and cannot be used to offset income from other activities, including other passive activities or investments. Such unused losses may be deducted when the Unitholder disposes of its entire investment in us in a fully taxable transaction with an unrelated party, such as a sale by a Unitholder of all of its Common Units in the open market. A Unitholder's share of any net passive income may be offset by unused losses from us carried over from prior years, but not by losses from other passive activities, including losses from other publicly-traded partnerships.

The tax gain or loss on the disposition of Common Units could be different than expected.

A Unitholder who sells Common Units will recognize a gain or loss equal to the difference between the amount realized and its adjusted tax basis in the Common Units. Prior distributions in excess of cumulative net taxable income allocated to a Common Unit which decreased a Unitholder's tax basis in that Common Unit will, in effect, become taxable income if the Common Unit is sold at a price greater than the Unitholder's tax basis in that Common Unit, even if the price is less than the original cost of the Common Unit. A portion of the amount realized, if the amount realized exceeds the Unitholder's adjusted basis in that Common Unit, will likely be characterized as ordinary income. Furthermore, should the IRS successfully contest some conventions used by us, a Unitholder could recognize more gain on the sale of Common Units than would be the case under those conventions, without the benefit of decreased income in prior years. In addition, because the amount realized will include a holder's share of our nonrecourse liabilities, if a Unitholder sells its Common Units, such Unitholder may incur a tax liability in excess of the amount of cash it receives from the sale.

Reporting of partnership tax information is complicated and subject to audits.

We intend to furnish to each Unitholder, within 90 days after the close of each calendar year, specific tax information, including a Schedule K-1 that sets forth its allocable share of income, gains, losses and deductions for our preceding taxable year. In preparing these schedules, we use various accounting and reporting conventions and adopt various depreciation and amortization methods. We cannot guarantee that these conventions will yield a result that conforms to statutory or regulatory requirements or to administrative pronouncements of the IRS. Further, our income tax return may be audited, which could result in an audit of a Unitholder's income tax return and increased liabilities for taxes because of adjustments resulting from the audit.

We treat each purchaser of our Common Units as having the same tax benefits without regard to the actual Common Units purchased. The IRS may challenge this treatment, which could adversely affect the value of the Common Units.

Because we cannot match transferors and transferees of Common Units and because of other reasons, uniformity of the economic and tax characteristics of the Common Units to a purchaser of Common Units of the same class must be maintained. To maintain uniformity and for other reasons, we have adopted certain depreciation and amortization conventions that may be inconsistent with Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to a Unitholder. It also could affect the timing of these tax benefits or the amount of gain from the sale of Common Units, and could have a negative impact on the value of our Common Units or result in audit adjustments to a Unitholder's income tax return.

We prorate our items of income, gain, loss and deduction between transferors and transferees of our Common Units each month based upon the ownership of our Common Units on the first day of each month, instead of on the basis of the date a particular Common Unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our Unitholders.

We prorate our items of income, gain, loss and deduction between transferors and transferees of our Common Units each month based upon the ownership of our Common Units on the first day of each month, instead of on the basis of the date a particular Common Unit is transferred. The U.S. Treasury Department has issued proposed Treasury Regulations that provide a safe harbor pursuant to which publicly traded partnerships may use a similar monthly simplifying convention to allocate tax items among transferors and transferees of our common units. However, if the IRS were to challenge our proration method, we may be required to change the allocation of items of income, gain, loss and deduction among our Unitholders.

Table of Contents

Unitholders may have negative tax consequences if we default on our debt or sell assets.

If we default on any of our debt obligations, our lenders will have the right to sue us for non-payment. This could cause an investment loss and negative tax consequences for Unitholders through the realization of taxable income by Unitholders without a corresponding cash distribution. Likewise, if we were to dispose of assets and realize a taxable gain while there is substantial debt outstanding and proceeds of the sale were applied to the debt, Unitholders could have increased taxable income without a corresponding cash distribution.

The sale or exchange of 50% or more of our capital and profits interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes.

We will be considered to have terminated as a partnership for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. Our termination would, among other things, result in the closing of our taxable year for all Unitholders and could result in a deferral of depreciation deductions allowable in computing our taxable income. In the case of a Unitholder reporting on a taxable year other than the calendar year, the closing of our taxable year may also result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. Our termination currently would not affect our treatment as a partnership for U.S. federal income tax purposes, but instead, after our termination we would be treated as a new partnership for U.S. federal income tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred.

There are state, local and other tax considerations for our Unitholders.

In addition to U.S. federal income taxes, Unitholders will likely be subject to other taxes, such as state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property, even if the Unitholder does not reside in any of those jurisdictions. A Unitholder will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of the various jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. It is the responsibility of each Unitholder to file all U.S. federal, state and local income tax returns that may be required of each Unitholder.

A Unitholder whose Common Units are loaned to a short seller to cover a short sale of Common Units may be considered as having disposed of those Common Units. If so, that Unitholder would no longer be treated for tax purposes as a partner with respect to those Common Units during the period of the loan and may recognize gain or loss from the disposition.

Because there is no tax concept of loaning a partnership interest, a Unitholder whose Common Units are loaned to a short seller to cover a short sale of Common Units may be considered as having disposed of the loaned Common Units. In that case, a Unitholder may no longer be treated for tax purposes as a partner with respect to those Common Units during the period of the loan to the short seller and may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to those Common Units may not be reportable by the Unitholder and any cash distribution received by the Unitholder as to those Common Units could be fully taxable as ordinary income. Unitholders desiring to ensure their status as partners and avoid the risk of gain recognition from a loan to a short seller should consult their own tax advisors to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their Common Units.

Table of Contents

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of September 27, 2014, we owned approximately 73% of our customer service center and satellite locations and leased the balance of our retail locations from third parties. We own and operate a 22 million gallon refrigerated, aboveground propane storage facility in Elk Grove, California. Additionally, we own our principal executive offices located in Whippany, New Jersey.

The transportation of propane requires specialized equipment. The trucks and railroad tank cars utilized for this purpose carry specialized steel tanks that maintain the propane in a liquefied state. As of September 27, 2014, we had a fleet of 12 transport truck tractors, of which we owned 5, and 23 railroad tank cars, of which we owned none. In addition, as of September 27, 2014 we had 1,347 bobtail and rack trucks, of which we owned 51%, 139 fuel oil tankwagons, of which we owned 63%, and 1,360 other delivery and service vehicles, of which we owned 54%. We lease the vehicles we do not own. As of September 27, 2014, we also owned 950,257 customer propane storage tanks with typical capacities of 100 to 500 gallons, 69,294 customer propane storage tanks with typical capacities of over 500 gallons and 403,967 portable propane cylinders with typical capacities of five to ten gallons.

ITEM 3. LEGAL PROCEEDINGS

Litigation

Our operations are subject to operating hazards and risks normally incidental to handling, storing and delivering combustible liquids such as propane. We have been, and will continue to be, a defendant in various legal proceedings and litigation as a result of these operating hazards and risks, and as a result of other aspects of our business. Although any litigation is inherently uncertain, based on past experience, the information currently available to us, and the amount of our accrued insurance liabilities, we do not believe that currently pending or threatened litigation matters, or known claims or known contingent claims, will have a material adverse effect on our results of operations, financial condition or cash flow.

ITEM 4. MINE SAFETY DISCLOSURES

None.

Table of Contents**PART II****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON UNITS, RELATED UNITHOLDER MATTERS AND ISSUER PURCHASES OF UNITS**

(a) Our Common Units, representing limited partner interests in the Partnership, are listed and traded on the New York Stock Exchange (NYSE) under the symbol SPH. As of November 24, 2014, there were 670 Unitholders of record (based on the number of record holders and nominees for those Common Units held in street name). The following table presents, for the periods indicated, the high and low sales prices per Common Unit, as reported on the NYSE, and the amount of quarterly cash distributions declared and paid per Common Unit in respect of each quarter.

	Common Unit Price Range		Cash Distribution Declared per Common Unit
	High	Low	
<u>Fiscal 2014</u>			
First Quarter	\$ 48.90	\$ 44.21	\$ 0.8750
Second Quarter	47.16	39.91	0.8750
Third Quarter	48.61	40.94	0.8750
Fourth Quarter	46.21	41.13	0.8750
<u>Fiscal 2013</u>			
First Quarter	\$ 44.82	\$ 36.69	\$ 0.8750
Second Quarter	44.80	38.09	0.8750
Third Quarter	50.25	41.93	0.8750
Fourth Quarter	49.50	44.21	0.8750

We make quarterly distributions to our partners in an aggregate amount equal to our Available Cash (as defined in our Partnership Agreement) with respect to such quarter. Available Cash generally means all cash on hand at the end of the fiscal quarter plus all additional cash on hand as a result of borrowings subsequent to the end of such quarter less cash reserves established by the Board of Supervisors in its reasonable discretion for future cash requirements. The amount of distributions that we may make to holders of our Common Units is limited by the senior notes, and the amount of distributions that the Operating Partnership may make to us is limited by our revolving credit facility. See Risk Factors We have substantial indebtedness. Our debt agreements may limit our ability to make distributions to Unitholders, as well as our financial flexibility and Management's Discussion and Analysis Liquidity and Capital Resources.

We are a publicly traded limited partnership and, other than certain corporate subsidiaries that are taxed as corporations, we are not subject to corporate level federal income tax. Instead, Unitholders are required to report their allocable share of our earnings or loss, regardless of whether we make distributions.

(b) Not applicable.

(c) None.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

The following table presents our selected consolidated historical financial data as derived from our audited consolidated financial statements, certain of which are included elsewhere in this Annual Report. All amounts in the table below, except per unit data, are in thousands.

	Year Ended				
	September 27, 2014	September 28, 2013	September 29, 2012 (a)	September 24, 2011	September 25, 2010
Statement of Operations Data					
Revenues	\$ 1,938,257	\$ 1,703,606	\$ 1,063,458	\$ 1,190,552	\$ 1,136,694
Costs and expenses	1,748,131	1,526,630	1,003,885	1,047,324	980,508
Acquisition-related costs (b)			17,916		
Pension settlement charge (c)					2,818
Operating income	190,126	176,976	41,657	143,228	153,368
Interest expense, net	83,261	95,427	38,633	27,378	27,397
Loss on debt extinguishment (d)	11,589	2,144	2,249		9,473
Provision for income taxes	767	607	137	884	1,182
Net income	94,509	78,798	638	114,966	115,316
Net income per Common Unit basic (e)	1.56	1.35	0.02	3.24	3.26
Net income per Common Unit diluted (e)	1.56	1.34	0.02	3.22	3.24
Cash distributions declared per unit	\$ 3.50	\$ 3.50	\$ 3.41	\$ 3.41	\$ 3.35
Balance Sheet Data					
Cash and cash equivalents	\$ 92,639	\$ 107,232	\$ 134,317	\$ 149,553	\$ 156,908
Current assets	294,865	293,322	337,515	297,822	296,427
Total assets	2,609,363	2,727,987	2,883,850	956,459	970,914
Current liabilities	222,266	233,894	253,715	151,514	164,514
Total debt	1,242,685	1,245,237	1,422,078	348,169	347,953
Total liabilities	1,587,910	1,598,861	1,793,351	598,241	608,258
Partners' capital	\$ 1,067,358	\$ 1,176,479	\$ 1,151,606	\$ 418,134	\$ 419,882
Common Unitholders					
Statement of Cash Flows Data					
Cash provided by (used in)					
Operating activities	\$ 225,551	\$ 214,306	\$ 110,973	\$ 132,786	\$ 155,797
Investing activities	(16,532)	(14,663)	(239,758)	(19,505)	(30,111)
Financing activities	\$ (223,612)	\$ (226,728)	\$ 113,549	\$ (120,636)	\$ (131,951)
Other Data					
Depreciation and amortization	\$ 136,399	\$ 130,384	\$ 47,034	\$ 35,628	\$ 30,834
EBITDA (f)	314,936	305,216	86,442	178,856	174,729
Adjusted EBITDA (f)	338,502	329,253	108,536	179,425	192,420
Capital expenditures maintenance and growth (g)	\$ 30,052	\$ 27,823	\$ 17,476	\$ 22,284	\$ 19,131
Retail gallons sold					
Propane	530,743	534,621	283,841	298,902	317,906

Fuel oil and refined fuels	49,071	53,710	28,491	37,241	43,196
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- (a) Fiscal 2012 includes 53 weeks of operations compared to 52 weeks in each of fiscal 2014, 2013, 2011 and 2010. In addition, on August 1, 2012, we acquired Inergy Propane. The results of operations of Inergy Propane have been included in the consolidated results from the Acquisition Date through September 29, 2012 and all of fiscal 2013 and fiscal 2014, and the assets and liabilities of Inergy Propane have been included in the consolidated balance sheet since September 29, 2012. Refer to Note 3 Acquisition of Inergy Propane included within the Notes to the Consolidated Financial Statements section elsewhere in this Annual Report.
- (b) Due to the Inergy Propane Acquisition on August 1, 2012 we recorded acquisition-related costs of \$17.9 million during fiscal 2012. These costs were primarily attributable to investment banker, legal, accounting and other consulting fees.

Table of Contents

- (c) We incurred non-cash pension settlement charges of \$2.8 million during fiscal 2010 to accelerate the recognition of actuarial losses in our defined benefit pension plan as a result of the level of lump sum retirement benefit payments made.
- (d) On May 27, 2014, we repurchased and satisfied and discharged all of our 2018 Senior Notes with net proceeds from the issuance of the 2024 Senior Notes and cash on hand pursuant to a tender offer and redemption. In connection with this tender offer and redemption, we recognized a loss on the extinguishment of debt of \$11.6 million consisting of \$31.6 million for the redemption premium and related fees, as well as the write-off of \$5.3 million and (\$25.3) million in unamortized debt origination costs and unamortized premium, respectively. On August 2, 2013, we repurchased pursuant to optional redemption \$133.4 million of our 7.375% Senior Notes due August 1, 2021 using net proceeds from our May 2013 public offering and net proceeds from the underwriters exercise of their over-allotment option to purchase additional Common Units. In addition, on August 6, 2013, we repurchased \$23.9 million of our 2021 Senior Notes in a private transaction using cash on hand. In connection with these repurchases, which totaled \$157.3 million in aggregate principal amount, we recognized a loss on the extinguishment of debt of \$2.1 million consisting of \$11.7 million for the repurchase premium and related fees, as well as the write-off of \$2.1 million and (\$11.7) million in unamortized debt origination costs and unamortized premium, respectively. During fiscal 2012 we amended the Credit Agreement (the Amended Credit Agreement) to increase the five-year \$250.0 million revolving credit facility (the Revolving Credit Facility) to \$400.0 million, of which, \$100.0 million was outstanding as of September 27, 2014, and also to extend the maturity date from June 25, 2013 to January 5, 2017. In connection with the execution of the Amended Credit Agreement, we recognized a non-cash charge of \$0.5 million for the write-off of previously incurred debt origination costs associated with lenders who did not participate, or whose lending capacity decreased, in the amended facility. On August 1, 2012, we amended the Amended Credit Agreement to provide for a \$250.0 million senior secured 364-day incremental term loan facility (the 364-Day Facility). On August 1, 2012, in connection with the Inergy Propane Acquisition, we drew \$225.0 million on the 364-Day Facility and on August 14, 2012, using the proceeds of our secondary offering of common units, we repaid the \$225.0 million term loan facility, and wrote off \$1.7 million of unamortized commitment fees associated with the 364-Day Facility. During fiscal 2010 we completed the issuance of \$250.0 million of 7.375% senior notes maturing in March 2020 to replace the previously existing 6.875% senior notes that were set to mature in December 2013. In connection with the refinancing, we recognized a loss on debt extinguishment of \$9.5 million in the second quarter of fiscal 2010, consisting of \$7.2 million for the repurchase premium and related fees, as well as the write-off of \$2.2 million in unamortized debt origination costs and unamortized discount.
- (e) Computations of basic earnings per Common Unit were performed by dividing net income by the weighted average number of outstanding Common Units, and restricted units granted under our 2000 and 2009 Restricted Unit Plans (which we collectively refer to as the Restricted Unit Plans or the RUP) to retirement-eligible grantees. Computations of diluted earnings per Common Unit were performed by dividing net income by the weighted average number of outstanding Common Units and unvested restricted units granted under our Restricted Unit Plans. On May 17, 2013, we sold 2.7 million Common Units in a public offering. On May 22, 2013, following the underwriters exercise of their over-allotment option, we sold an additional 0.4 million Common Units. On August 1, 2012, in connection with the Inergy Propane Acquisition, we issued 14.2 million Common Units, and on August 14, 2012, we sold 7.2 million Common Units in a secondary offering. Those Common Units have been included in basic and diluted earnings per common unit from the respective dates of issuance.
- (f) EBITDA represents net income before deducting interest expense, income taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA excluding the unrealized net gain or loss from mark-to-market activity for derivative instruments and other certain items as provided in the table below. Our management uses EBITDA and Adjusted EBITDA as measures of liquidity and we are including them because we believe that they provide our investors and industry analysts with additional information to evaluate our ability to meet our debt service obligations and to pay our quarterly distributions to holders of our Common Units. EBITDA and Adjusted

EBITDA are not recognized terms under accounting principles generally accepted in the United States of America (US GAAP) and should not be considered as an alternative to net income or net cash provided by operating activities determined in accordance with US GAAP. Because EBITDA and Adjusted EBITDA as determined by us excludes some, but not all, items that affect net income, they may not be comparable to EBITDA and Adjusted EBITDA or similarly titled measures used by other companies.

Table of Contents

The following table sets forth (i) our calculations of EBITDA and Adjusted EBITDA and (ii) a reconciliation of EBITDA and Adjusted EBITDA, as so calculated, to our net cash provided by operating activities (amounts in thousands):

	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010
Net income	\$ 94,509	\$ 78,798	\$ 638	\$ 114,966	\$ 115,316
Add:					
Provision for income taxes	767	607	137	884	1,182
Interest expense, net	83,261	95,427	38,633	27,378	27,397
Depreciation and amortization	136,399	130,384	47,034	35,628	30,834
EBITDA	314,936	305,216	86,442	178,856	174,729
Unrealized (non-cash) (gains) losses on changes in fair value of derivatives	(306)	4,318	(4,649)	(1,431)	5,400
Integration-related costs	12,283	10,575			
Loss on debt extinguishment	11,589	2,144	2,249		9,473
Multi-employer pension plan withdrawal charge		7,000			
Acquisition-related costs			17,916		
Loss on legal settlement			4,500		
Loss on asset disposal			2,078		
Severance charges				2,000	
Pension settlement charge					2,818
Adjusted EBITDA	338,502	329,253	108,536	179,425	192,420
Add (subtract):					
Provision for income taxes	(767)	(607)	(137)	(884)	(1,182)
Interest expense, net	(83,261)	(95,427)	(38,633)	(27,378)	(27,397)
Unrealized (non-cash) gains (losses) on changes in fair value of derivatives	306	(4,318)	4,649	1,431	(5,400)
Integration-related costs	(12,283)	(10,575)			
Multi-employer pension plan withdrawal charge		(7,000)			
Acquisition-related costs			(17,916)		
Loss on legal settlement			(4,500)		
Severance charges				(2,000)	
Compensation cost recognized under Restricted Unit Plans	7,390	3,888	4,059	3,922	4,005
(Gain) loss on disposal of property, plant and equipment, net	(521)	(3,543)	(727)	(2,772)	38
Changes in working capital and other assets and liabilities	(23,815)	2,635	55,642	(18,958)	(6,687)
Net cash provided by operating activities	\$ 225,551	\$ 214,306	\$ 110,973	\$ 132,786	\$ 155,797

- (g) Our capital expenditures fall generally into two categories: (i) maintenance expenditures, which include expenditures for repair and replacement of property, plant and equipment; and (ii) growth capital expenditures which include new propane tanks and other equipment to facilitate expansion of our customer base and operating capacity.

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our financial condition and results of operations, which should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this Annual Report.

Executive Overview

The following are factors that regularly affect our operating results and financial condition. In addition, our business is subject to the risks and uncertainties described in Item 1A of this Annual Report.

Product Costs and Supply

The level of profitability in the retail propane, fuel oil, natural gas and electricity businesses is largely dependent on the difference between retail sales price and our costs to acquire and transport products. The unit cost of our products, particularly propane, fuel oil and natural gas, is subject to volatility as a result of supply and demand dynamics or other market conditions, including, but not limited to, economic and political factors impacting crude oil and natural gas supply or pricing. We enter into product supply contracts that are generally one-year agreements subject to annual renewal, and also purchase product on the open market. We attempt to reduce price risk by pricing product on a short-term basis. Our propane supply contracts typically provide for pricing based upon index formulas using the posted prices established at major supply points such as Mont Belvieu, Texas, or Conway, Kansas (plus transportation costs) at the time of delivery.

To supplement our annual purchase requirements, we may utilize forward fixed price purchase contracts to acquire a portion of the propane that we resell to our customers, which allows us to manage our exposure to unfavorable changes in commodity prices and to assure adequate physical supply. The percentage of contract purchases, and the amount of supply contracted for under forward contracts at fixed prices, will vary from year to year based on market conditions.

Changes in our costs to acquire and transport products can occur rapidly over a short period of time and can impact profitability. There is no assurance that we will be able to pass on product acquisition and transportation cost increases fully or immediately, particularly when such costs increase rapidly. Therefore, average retail sales prices can vary significantly from year to year as our costs fluctuate with the propane, fuel oil, crude oil and natural gas commodity markets and infrastructure conditions. In addition, periods of sustained higher commodity and/or transportation prices can lead to customer conservation, resulting in reduced demand for our product.

Seasonality

The retail propane and fuel oil distribution businesses, as well as the natural gas marketing business, are seasonal because these fuels are primarily used for heating in residential and commercial buildings. Historically, approximately two-thirds of our retail propane volume is sold during the six-month peak heating season from October through March. The fuel oil business tends to experience greater seasonality given its more limited use for space heating and approximately three-fourths of our fuel oil volumes are sold between October and March. Consequently, sales and operating profits are concentrated in our first and second fiscal quarters. Cash flows from operations, therefore, are greatest during the second and third fiscal quarters when customers pay for product purchased during the winter heating season. We expect lower operating profits and either net losses or lower net income during the period from April through September (our third and fourth fiscal quarters). To the extent necessary, we will reserve cash from the second and third quarters for distribution to holders of our Common Units in the fourth quarter and the following fiscal year first quarter.

Table of Contents

Weather

Weather conditions have a significant impact on the demand for our products, in particular propane, fuel oil and natural gas, for both heating and agricultural purposes. Many of our customers rely heavily on propane, fuel oil or natural gas as a heating source. Accordingly, the volume sold is directly affected by the severity of the winter weather in our service areas, which can vary substantially from year to year. In any given area, sustained warmer than normal temperatures will tend to result in reduced propane, fuel oil and natural gas consumption, while sustained colder than normal temperatures will tend to result in greater consumption.

Hedging and Risk Management Activities

We engage in hedging and risk management activities to reduce the effect of price volatility on our product costs and to ensure the availability of product during periods of short supply. We enter into propane forward, options and swap agreements with third parties, and use futures and options contracts traded on the New York Mercantile Exchange (NYMEX) to purchase and sell propane, fuel oil and crude oil at fixed prices in the future. The majority of the futures, forward and options agreements are used to hedge price risk associated with propane and fuel oil physical inventory, as well as, in certain instances, forecasted purchases of propane or fuel oil. In addition, we sell propane and fuel oil to customers at fixed prices, and enter into derivative instruments to hedge a portion of our exposure to fluctuations in commodity prices as a result of selling the fixed price contracts. Forward contracts are generally settled physically at the expiration of the contract whereas futures, options and swap contracts are generally settled at the expiration of the contract through a net settlement mechanism. Although we use derivative instruments to reduce the effect of price volatility associated with priced physical inventory and forecasted transactions, we do not use derivative instruments for speculative trading purposes. Risk management activities are monitored by an internal Commodity Risk Management Committee, made up of five members of management and reporting to our Audit Committee, through enforcement of our Hedging and Risk Management Policy.

Critical Accounting Policies and Estimates

Our significant accounting policies are summarized in Note 2 Summary of Significant Accounting Policies included within the Notes to Consolidated Financial Statements section elsewhere in this Annual Report.

Certain amounts included in or affecting our consolidated financial statements and related disclosures must be estimated, requiring management to make certain assumptions with respect to values or conditions that cannot be known with certainty at the time the financial statements are prepared. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We are also subject to risks and uncertainties that may cause actual results to differ from estimated results. Estimates are used when accounting for depreciation and amortization of long-lived assets, employee benefit plans, self-insurance and litigation reserves, environmental reserves, allowances for doubtful accounts, asset valuation assessments and valuation of derivative instruments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known to us. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Supervisors. We believe that the following are our critical accounting estimates:

Allowances for Doubtful Accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We estimate our allowances for doubtful accounts using a specific reserve for known or anticipated uncollectible accounts, as well as an estimated reserve for potential future uncollectible accounts taking into consideration our historical write-offs. If the financial condition of one or more of our customers were to deteriorate resulting in an impairment in their ability to make payments, additional allowances could be required. As a result of our large customer base, which is comprised of approximately 1.2 million customers, no individual customer account is material. Therefore, while some variation to actual results occurs, historically such variability has not been material. Schedule II, Valuation and Qualifying Accounts, provides a summary of the changes in our allowances for doubtful accounts during the period.

Table of Contents

Pension and Other Postretirement Benefits. We estimate the rate of return on plan assets, the discount rate used to estimate the present value of future benefit obligations and the expected cost of future health care benefits in determining our annual pension and other postretirement benefit costs. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in market conditions may materially affect our pension and other postretirement benefit obligations and our future expense. With other assumptions held constant, an increase or decrease of 100 basis points in the discount rate would have an immaterial impact on net pension and postretirement benefit costs. See Liquidity and Capital Resources Pension Plan Assets and Obligations below for additional disclosure regarding pension benefits.

Self-Insurance Reserves. Our accrued self-insurance reserves represent the estimated costs of known and anticipated or unasserted claims under our general and product, workers' compensation and automobile insurance policies. Accrued insurance provisions for unasserted claims arising from unreported incidents are based on an analysis of historical claims data. For each unasserted claim, we record a self-insurance provision up to the estimated amount of the probable claim utilizing actuarially determined loss development factors applied to actual claims data. Our self-insurance provisions are susceptible to change to the extent that actual claims development differs from historical claims development. We maintain insurance coverage wherein our net exposure for insured claims is limited to the insurance deductible, claims above which are paid by our insurance carriers. For the portion of our estimated self-insurance liability that exceeds our deductibles, we record an asset related to the amount of the liability expected to be paid by the insurance companies. Historically, we have not experienced significant variability in our actuarial estimates for claims incurred but not reported. Accrued insurance provisions for reported claims are reviewed at least quarterly, and our assessment of whether a loss is probable and/or reasonably estimable is updated as necessary. Due to the inherently uncertain nature of, in particular, product liability claims, the ultimate loss may differ materially from our estimates. However, because of the nature of our insurance arrangements, those material variations historically have not, nor are they expected in the future to have, a material impact on our results of operations or financial position.

Loss Contingencies. In the normal course of business, we are involved in various claims and legal proceedings. We record a liability for such matters when it is probable that a loss has been incurred and the amounts can be reasonably estimated. The liability includes probable and estimable legal costs to the point in the legal matter where we believe a conclusion to the matter will be reached. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued.

Fair Values of Acquired Assets and Liabilities. From time to time, we enter into material business combinations. In accordance with accounting guidance associated with business combinations, the assets acquired and liabilities assumed are recorded at their estimated fair value as of the acquisition date. Fair values of assets acquired and liabilities assumed are based upon available information and may involve us engaging an independent third party to perform an appraisal. Estimating fair values can be complex and subject to significant business judgment. Estimates most commonly impact property, plant and equipment and intangible assets, including goodwill. Generally, we have, if necessary, up to one year from the acquisition date to finalize our estimates of acquisition date fair values.

Results of Operations and Financial Condition

Net income for fiscal 2014 amounted to \$94.5 million, or \$1.56 per Common Unit, compared to \$78.8 million, or \$1.35 per Common Unit, in fiscal 2013. Earnings before interest, taxes, depreciation and amortization (EBITDA) for fiscal 2014 amounted to \$314.9 million, compared to \$305.2 million for fiscal 2013.

Net income and EBITDA for fiscal 2014 included: (i) \$12.3 million in expenses related to the ongoing integration of Inergy Propane and (ii) a loss on debt extinguishment of \$11.6 million. Net income and EBITDA for fiscal 2013 included: (i) \$10.6 million in expenses related to the ongoing integration of Inergy Propane; (ii) \$7.0 million in charges related to our voluntary withdrawal from multi-employer pension plans covering certain employees acquired in the Inergy Propane Acquisition; and (iii) a loss on debt extinguishment of \$2.1 million. Excluding the effects of these charges, as well as the unrealized (non-cash) mark-to-market adjustments on derivative instruments in both years, Adjusted EBITDA (as defined and reconciled below) amounted to \$338.5 million for fiscal 2014, an increase of \$9.2 million, or 2.8%, compared to Adjusted EBITDA of \$329.3 million in fiscal 2013.

Table of Contents

Retail propane gallons sold for fiscal 2014 decreased 3.9 million gallons, or 0.7%, to 530.7 million gallons from 534.6 million gallons in fiscal 2013. Sales of fuel oil and other refined fuels also decreased 8.6%, to 49.1 million gallons from 53.7 million gallons in the prior year. According to the NOAA, average temperatures (as measured by heating degree days) across all of our service territories during fiscal 2014 were 3% colder than normal and 7% colder than the prior year period. However, the weather pattern during the winter heating season (October 2013 through March 2014) was characterized by considerably colder than normal temperatures in our service territories in the east and midwest regions, whereas our service territories in the west experienced unseasonably warm temperatures throughout the period. Average temperatures in the western territories during this past winter heating season were 11% warmer than normal and 6% warmer than the comparable period in the prior year, which negatively impacted volumes sold in those territories. Additionally, volumes sold during fiscal 2014 were adversely affected by supply constraints resulting from industry-wide supply shortages and logistics issues, as well as customer conservation attributable to a significant rise in wholesale propane prices.

During fiscal 2014, we made significant progress, not only in our integration efforts with regards to Inergy Propane, but also in executing our strategic financing initiatives. To highlight a few key accomplishments for fiscal 2014:

We completed our system conversions and much of the physical blending activities associated with the integration of Inergy Propane;

We have installed our operating model across the entire platform and have migrated to one common brand;

We successfully refinanced our previous 7.5% Senior Notes due 2018 with new 5.5% Senior Notes due in 2024, which effectively extended maturities on this portion of our debt by six years and reduced our cash interest requirement by more than \$8 million annually; and

We have successfully transitioned our senior leadership team in accordance with Board-approved succession plans.

As we look ahead to fiscal 2015, our anticipated cash requirements include: (i) maintenance and growth capital expenditures of approximately \$34.0 million; (ii) approximately \$79.4 million of interest and income tax payments; and (iii) approximately \$211.6 million of distributions to Unitholders, assuming distributions remain at the current annualized rate of \$3.50 per Common Unit. Based on our current cash position of \$92.6 million as of September 27, 2014 and availability under the Revolving Credit Facility (unused borrowing capacity of \$255.1 million at September 27, 2014) and expected cash flow from operating activities, we expect to have sufficient funds to meet our current and future obligations.

Fiscal Year 2014 Compared to Fiscal Year 2013

Revenues

(Dollars in thousands)	Fiscal 2014	Fiscal 2013	Increase / (Decrease)	Percent Increase / (Decrease)
Revenues				
Propane	\$ 1,606,840	\$ 1,357,102	\$ 249,738	18.4%
Fuel oil and refined fuels	194,684	208,957	(14,273)	(6.8%)
Natural gas and electricity	87,093	79,432	7,661	9.6%
All other	49,640	58,115	(8,475)	(14.6%)
Total revenues	\$ 1,938,257	\$ 1,703,606	\$ 234,651	13.8%

Table of Contents

Total revenues increased \$234.7 million, or 13.8%, to \$1,938.3 million for fiscal 2014 compared to \$1,703.6 million for the prior year due to higher average propane, fuel oil and refined fuels and natural gas selling prices, offset to an extent by lower volumes sold. As discussed above, average temperatures (as measured in heating degree days) across all of our service territories for fiscal 2014 were 3% colder than normal, compared to 4% warmer than normal in the prior year. However, the weather pattern during the fiscal 2014 heating season was characterized by warmer than normal temperatures for the first two months of the period, followed by significantly colder than normal temperatures for the remainder of the heating season. In addition, during the peak of our heating season, we experienced considerably colder than normal temperatures in our east and midwest service territories, but sustained unseasonably warm temperatures in our western territories. Average temperatures in our western territories during the fiscal 2014 heating season were 11% warmer than normal and 6% warmer than the comparable prior year period.

Revenues from the distribution of propane and related activities of \$1,606.8 million for fiscal 2014 increased \$249.7 million, or 18.4%, compared to \$1,357.1 million for the prior year, primarily due to higher average retail selling prices associated with higher wholesale propane costs, partially offset by a decrease in retail propane volumes sold. Average propane selling prices for fiscal 2014 increased 20.0% compared to the prior year as a result of higher wholesale propane costs, resulting in a \$254.6 million increase in revenues year-over-year. Retail propane gallons sold in fiscal 2014 decreased 3.9 million gallons, or 0.7%, to 530.7 million gallons from 534.6 million gallons in the prior year. Volumes sold during fiscal 2014 were adversely affected by supply constraints resulting from industry-wide supply shortages and logistics issues adversely affecting propane transportation sourcing and costs that persisted throughout much of our heating season. Customer conservation attributable to the significant rise in propane prices also adversely affected volumes sold. Lower retail propane volumes sold resulted in a decrease in revenues of \$9.3 million for fiscal 2014 compared to the prior year. Included within the propane segment are revenues from other propane activities of \$79.1 million for fiscal 2014, which increased \$4.4 million compared to the prior year.

Revenues from the distribution of fuel oil and refined fuels of \$194.7 million for fiscal 2014 decreased \$14.3 million, or 6.8%, from \$209.0 million for the prior year, primarily due to lower volumes sold, partially offset by higher average selling prices. Fuel oil and refined fuels gallons sold in fiscal 2014 decreased 4.6 million gallons, or 8.6%, to 49.1 million gallons from 53.7 million gallons in the prior year, primarily due to a decline in lower margin gasoline and diesel volumes. Lower fuel oil and refined fuels volumes sold resulted in a decrease in revenues of \$18.0 million for fiscal 2014 compared to the prior year. Average selling prices in our fuel oil and refined fuels segment in fiscal 2014 increased 2.0% compared to the prior year, resulting in a \$3.7 million increase in revenues year-over-year.

Revenues in our natural gas and electricity segment increased \$7.7 million, or 9.6%, to \$87.1 million in fiscal 2014 compared to \$79.4 million in the prior year as a result of higher average selling prices for natural gas and electricity as a result of higher average wholesale costs, partially offset by lower electricity usage.

Cost of Products Sold

(Dollars in thousands)	Fiscal 2014	Fiscal 2013	Increase / (Decrease)	Percent Increase / (Decrease)
Cost of products sold				
Propane	\$ 844,855	\$ 612,240	\$ 232,615	38.0%
Fuel oil and refined fuels	155,773	172,022	(16,249)	(9.4%)
Natural gas and electricity	64,448	55,995	8,453	15.1%

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All other	15,674	21,648	(5,974)	(27.6%)
Total cost of products sold	\$ 1,080,750	\$ 861,905	\$ 218,845	25.4%

As a percent of total revenues	55.8%	50.6%
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The cost of products sold reported in the consolidated statements of operations represents the weighted average unit cost of propane, fuel oil and refined fuels, natural gas and electricity sold, including transportation costs to deliver product from our supply points to storage or to our customer service centers. Cost of products sold also includes the cost of appliances and related parts sold or installed by our customer service centers computed on a basis that approximates the average cost of the products. Unrealized (non-cash) gains or losses from changes in the fair value of derivative instruments that are not designated as cash flow hedges are recorded within cost of products sold. Cost of products sold excludes depreciation and amortization; these amounts are reported separately within the consolidated statements of operations.

Table of Contents

In the commodities markets, propane prices were extremely volatile during fiscal 2014 as a result of the supply and logistics issues that started late in the first fiscal quarter and continued throughout most of the second quarter. Overall, average posted prices for propane for fiscal 2014 were 24.8% higher than the prior year while fuel oil prices were 2.1% lower than the prior year. The net change in the fair value of derivative instruments during the period resulted in unrealized (non-cash) gains of \$0.3 million and unrealized (non-cash) losses of \$4.3 million reported in cost of products sold in fiscal 2014 and 2013, respectively, resulting in a decrease of \$4.6 million in cost of products sold in fiscal 2014 compared to the prior year, \$4.4 million of which was reported in the propane segment.

Cost of products sold associated with the distribution of propane and related activities of \$844.9 million for fiscal 2014 increased \$232.6 million, or 38.0%, compared to the prior year primarily due to higher wholesale costs and higher transportation costs associated with the extraordinary measures we took to ensure adequate propane supplies were delivered to our customer service centers to meet customer demand during the heating season. Higher average propane costs resulted in an increase of \$233.3 million, partially offset by a decrease of \$4.3 million related to lower propane volumes sold during fiscal 2014 compared to the prior year. Cost of products sold from other propane activities increased \$8.0 million.

Cost of products sold associated with our fuel oil and refined fuels segment of \$155.8 million for fiscal 2014 decreased \$16.2 million, or 9.4%, compared to the prior year. Lower fuel oil and refined fuels volumes sold coupled with lower wholesale costs resulted in decreases of \$14.8 million and \$1.4 million, respectively, in costs of products sold during fiscal 2014 compared to the prior year.

Cost of products sold in our natural gas and electricity segment of \$64.4 million for fiscal 2014 increased \$8.5 million, or 15.1%, compared to the prior year, primarily due to higher natural gas and electricity wholesale costs, partially offset by lower volumes sold.

Total cost of products sold as a percent of total revenues increased 5.2 percentage points to 55.8% in fiscal 2014 from 50.6% in the prior year, primarily due to the rise in wholesale propane costs outpacing the rise in propane average selling prices during fiscal 2014.

Operating Expenses

(Dollars in thousands)	Fiscal 2014	Fiscal 2013	Decrease	Percent Decrease
Operating expenses	\$ 466,389	\$ 469,496	\$ (3,107)	(0.7%)
As a percent of total revenues	24.1%	27.6%		

All costs of operating our retail distribution and appliance sales and service operations are reported within operating expenses in the consolidated statements of operations. These operating expenses include the compensation and benefits of field and direct operating support personnel, costs of operating and maintaining our vehicle fleet, overhead and other costs of our purchasing, training and safety departments and other direct and indirect costs of operating our customer service centers.

Operating expenses of \$466.4 million for fiscal 2014 decreased \$3.1 million, or 0.7%, compared to \$469.5 million in the prior year, primarily due to synergies realized as a result of the continuing integration of Inergy Propane operations, which was offset to an extent by higher overtime and vehicle expenses attributable to harsh weather conditions during our fiscal 2014 heating season, as well as higher provisions for potential uncollectible accounts. Operating expenses for fiscal 2014 included integration-related expenses of \$8.1 million associated with the

integration of the Inergy Propane operations compared to \$4.6 million in the prior year. In addition, fiscal 2013 included a \$7.0 million charge related to our voluntary partial withdrawal from a multi-employer pension plan and full withdrawal from four multi-employer pension plans for certain employees acquired in the Inergy Propane Acquisition. These charges were excluded from our calculation of Adjusted EBITDA below.

Table of Contents*General and Administrative Expenses*

(Dollars in thousands)	Fiscal 2014	Fiscal 2013	Decrease	Percent Decrease
General and administrative expenses	\$ 64,593	\$ 64,845	\$ (252)	(0.4%)
As a percent of total revenues	3.3%	3.8%		

All costs of our back office support functions, including compensation and benefits for executives and other support functions, as well as other costs and expenses to maintain finance and accounting, treasury, legal, human resources, corporate development and the information systems functions are reported within general and administrative expenses in the consolidated statements of operations.

General and administrative expenses of \$64.6 million for fiscal 2014 was relatively flat compared to the prior year. General and administrative expenses for fiscal 2014 and 2013 included \$4.2 million and \$6.0 million, respectively, of professional services and other expenses associated with the integration of the Inergy Propane operations. These items were excluded from our calculation of Adjusted EBITDA below.

Depreciation and Amortization

(Dollars in thousands)	Fiscal 2014	Fiscal 2013	Increase	Percent Increase
Depreciation and amortization	\$ 136,399	\$ 130,384	\$ 6,015	4.6%
As a percent of total revenues	7.0%	7.7%		

Depreciation and amortization expense of \$136.4 million in fiscal 2014 increased \$6.0 million, primarily as a result of depreciation expense on buildings, vehicles and equipment taken out of service as a result of the integration of Inergy Propane operations.

Interest Expense, net

(Dollars in thousands)	Fiscal 2014	Fiscal 2013	Decrease	Percent Decrease
Interest expense, net	\$ 83,261	\$ 95,427	\$ (12,166)	(12.7%)
As a percent of total revenues	4.3%	5.6%		

Net interest expense of \$83.3 million for fiscal 2014 decreased \$12.2 million compared to \$95.4 million in the prior year, primarily due to the reduction of \$157.3 million in long-term borrowings during the fourth quarter of fiscal 2013 and, to a lesser extent, the impact of the refinancing of our 7.5% Senior Notes due 2018 with 5.5% Senior Notes due 2024 completed during the third quarter of fiscal 2014. See Liquidity and Capital Resources below for additional discussion.

Table of Contents*Loss on Debt Extinguishment*

On May 27, 2014, we repurchased and satisfied and discharged all of our 2018 Senior Notes with net proceeds from the issuance of the 2024 Senior Notes and cash on hand pursuant to a tender offer and redemption. In connection with this tender offer and redemption, we recognized a loss on the extinguishment of debt of \$11.6 million consisting of \$31.6 million for the redemption premium and related fees, as well as the write-off of \$5.3 million and (\$25.3) million in unamortized debt origination costs and unamortized premium, respectively.

On August 2, 2013, we repurchased, pursuant to an optional redemption, \$133.4 million of our 7.375% senior notes due August 1, 2021 using net proceeds from our May 2013 public offering and net proceeds from the underwriters exercise of their over-allotment option to purchase additional Common Units. In addition, on August 6, 2013, we repurchased \$23.9 million of our 2021 senior notes in a private transaction using cash on hand. In connection with these repurchases, which totaled \$157.3 million in aggregate principal amount, we recognized a loss on the extinguishment of debt of \$2.1 million consisting of \$11.7 million for the repurchase premium and related fees, as well as the write-off of \$2.1 million and (\$11.7) million in unamortized debt origination costs and unamortized premium, respectively.

Net Income and Adjusted EBITDA

Net income for fiscal 2014 amounted to \$94.5 million, or \$1.56 per Common Unit, compared to \$78.8 million, or \$1.35 per Common Unit, in fiscal 2013. Earnings before interest, taxes, depreciation and amortization (EBITDA) for fiscal 2014 amounted to \$314.9 million, compared to \$305.2 million for fiscal 2013.

Net income and EBITDA for fiscal 2014 included: (i) \$12.3 million in expenses related to the ongoing integration of Inergy Propane and (ii) a loss on debt extinguishment of \$11.6 million. Net income and EBITDA for fiscal 2013 included: (i) \$10.6 million in expenses related to the ongoing integration of Inergy Propane; (ii) \$7.0 million in charges related to our voluntary withdrawal from multi-employer pension plans covering certain employees acquired in the Inergy Propane Acquisition; and (iii) a loss on debt extinguishment of \$2.1 million. Excluding the effects of these charges, as well as the unrealized (non-cash) mark-to-market adjustments on derivative instruments in both years, Adjusted EBITDA amounted to \$338.5 million for fiscal 2014, compared to Adjusted EBITDA of \$329.3 million in fiscal 2013.

Adjusted EBITDA represents EBITDA excluding the unrealized net gain or loss from mark-to-market activity for derivative instruments and other certain items as provided in the table below. Our management uses EBITDA and Adjusted EBITDA as measures of liquidity and we are including them because we believe that they provide our investors and industry analysts with additional information to evaluate our ability to meet our debt service obligations and to pay our quarterly distributions to holders of our Common Units. EBITDA and Adjusted EBITDA are not recognized terms under US GAAP and should not be considered as an alternative to net income or net cash provided by operating activities determined in accordance with US GAAP. Because EBITDA and Adjusted EBITDA as determined by us excludes some, but not all, items that affect net income, they may not be comparable to EBITDA and Adjusted EBITDA or similarly titled measures used by other companies.

Table of Contents

The following table sets forth (i) our calculations of EBITDA and adjusted EBITDA and (ii) a reconciliation of both EBITDA and adjusted EBITDA, as so calculated, to our net cash provided by operating activities

(Dollars in thousands)	Year Ended	
	September 27, 2014	September 28, 2013
Net income	\$ 94,509	\$ 78,798
Add:		
Provision for income taxes	767	607
Interest expense, net	83,261	95,427
Depreciation and amortization	136,399	130,384
EBITDA	314,936	305,216
Unrealized (non-cash) (gains) losses on changes in fair value of derivatives	(306)	4,318
Integration-related costs	12,283	10,575
Loss on debt extinguishment	11,589	2,144
Multi-employer pension plan withdrawal charge		7,000
Adjusted EBITDA	338,502	329,253
Add (subtract):		
Provision for income taxes	(767)	(607)
Interest expense, net	(83,261)	(95,427)
Unrealized (non-cash) gains (losses) on changes in fair value of derivatives	306	(4,318)
Integration-related costs	(12,283)	(10,575)
Multi-employer pension plan withdrawal charge		(7,000)
Compensation cost recognized under Restricted Unit Plans	7,390	3,888
Gain on disposal of property, plant and equipment, net	(521)	(3,543)
Changes in working capital and other assets and liabilities	(23,815)	2,635
Net cash provided by operating activities	\$ 225,551	\$ 214,306

Table of Contents***Fiscal Year 2013 Compared to Fiscal Year 2012****Revenues*

(Dollars in thousands)	Fiscal 2013	Fiscal 2012	Increase	Percent Increase
Revenues				
Propane	\$ 1,357,102	\$ 843,648	\$ 513,454	60.9%
Fuel oil and refined fuels	208,957	114,288	94,669	82.8%
Natural gas and electricity	79,432	67,419	12,013	17.8%
All other	58,115	38,103	20,012	52.5%
 Total revenues	 \$ 1,703,606	 \$ 1,063,458	 \$ 640,148	 60.2%

Total revenues increased \$640.1 million, or 60.2%, to \$1,703.6 million for fiscal 2013 compared to \$1,063.5 million for the prior year due to higher volumes sold, offset to an extent by lower average propane, fuel oil and refined fuels and natural gas selling prices. The increase in sales volumes was primarily due to the addition of the Inergy Propane business, as well as increases in our legacy operations resulting from colder average temperatures. As discussed above, average temperatures (as measured in heating degree days) across all of our service territories for fiscal 2013 were 4% warmer than normal, compared to 14% warmer than normal for the prior year.

Revenues from the distribution of propane and related activities of \$1,357.1 million for fiscal 2013 increased \$513.5 million, or 60.9%, compared to \$843.6 million for the prior year, primarily due to higher volumes sold, partially offset by lower average selling prices associated with lower product costs. Retail propane gallons sold in fiscal 2013 increased 250.8 million gallons, or 88.4%, to 534.6 million gallons from 283.8 million gallons in the prior year, primarily as a result of the addition of Inergy Propane, as well as increases in our legacy operations resulting from colder average temperatures. Higher retail propane volumes sold resulted in an increase in revenues of \$679.8 million for fiscal 2013 compared to the prior year. Average propane selling prices for fiscal 2013 decreased 11.5% compared to the prior year due to lower wholesale product costs, resulting in a \$166.9 million decrease in revenues year-over-year. Included within the propane segment are revenues from risk management activities and other propane activities of \$74.7 million for fiscal 2013, which increased \$0.6 million compared to the prior year as higher volumes from other propane activities were substantially offset by lower volumes from wholesale and risk management activities.

Revenues from the distribution of fuel oil and refined fuels of \$209.0 million for fiscal 2013 increased \$94.7 million, or 82.8%, from \$114.3 million for the prior year, primarily due to higher volumes sold, partially offset by lower average selling prices. Fuel oil and refined fuels gallons sold in fiscal 2013 increased 25.2 million gallons, or 88.4%, to 53.7 million gallons from 28.5 million gallons in the prior year, primarily as a result of the addition of Inergy Propane, as well as increases in our legacy operations resulting from colder average temperatures. Higher fuel oil and refined fuels volumes sold resulted in an increase in revenues of \$100.5 million for fiscal 2013 compared to the prior year. Average selling prices in our fuel oil and refined fuels segment in fiscal 2013 decreased 2.6% compared to the prior year, resulting in a \$5.8 million decrease in revenues year-over-year.

Revenues in our natural gas and electricity segment increased \$12.0 million, or 17.8%, to \$79.4 million in fiscal 2013 compared to \$67.4 million in the prior year as a result of higher natural gas volumes sold, and higher electricity average selling prices. The increase in volumes sold was primarily attributable to the more favorable weather pattern

in fiscal 2013, compared to the unseasonably warm weather in the prior year.

Table of Contents*Cost of Products Sold*

(Dollars in thousands)	Fiscal 2013	Fiscal 2012	Increase	Percent Increase
Cost of products sold				
Propane	\$ 612,240	\$ 448,120	\$ 164,120	36.6%
Fuel oil and refined fuels	172,022	91,239	80,783	88.5%
Natural gas and electricity	55,995	46,915	9,080	19.4%
All other	21,648	12,785	8,863	69.3%
Total cost of products sold	\$ 861,905	\$ 599,059	\$ 262,846	43.9%
As a percent of total revenues	50.6%	56.3%		

Average posted prices for propane for fiscal 2013 were 19.2% lower than the prior year, and fuel oil prices were essentially flat year-over-year. Total cost of products sold increased \$262.8 million, or 43.9%, to \$861.9 million in fiscal 2013 compared to \$599.1 million in the prior year due to higher volumes sold, partially offset by lower average propane product costs. The net change in the fair value of derivative instruments during the period resulted in unrealized (non-cash) losses of \$4.3 million and unrealized (non-cash) gains of \$4.6 million reported in cost of products sold in fiscal 2013 and 2012, respectively, resulting in an increase of \$8.9 million in cost of products sold in fiscal 2013 compared to the prior year, all of which was reported in the propane segment.

Cost of products sold associated with the distribution of propane and related activities of \$612.2 million for fiscal 2013 increased \$164.1 million, or 36.6%, compared to the prior year. Higher retail propane volumes sold resulted in an increase of \$368.4 million in cost of products sold during fiscal 2013 compared to the prior year. The impact of the increase in volumes sold was partially offset by lower average propane costs, which resulted in a \$190.0 million decrease in cost of products sold year-over-year. Cost of products sold from other propane activities decreased \$23.2 million in fiscal 2013 compared to the prior year, primarily due to lower sales from wholesale and risk management activities.

Cost of products sold associated with our fuel oil and refined fuels segment of \$172.0 million for fiscal 2013 increased \$80.8 million, or 88.5%, compared to the prior year primarily due to higher fuel oil and refined fuels volumes sold.

Cost of products sold in our natural gas and electricity segment of \$56.0 million for fiscal 2013 increased \$9.1 million, or 19.4%, compared to the prior year, primarily due to higher natural gas volumes sold, and higher electricity product costs.

Total cost of products sold as a percent of total revenues decreased 5.7 percentage points to 50.6% in fiscal 2013 from 56.3% in the prior year, primarily due to the decline in propane wholesale product costs outpacing the decline in propane average selling prices. In addition, colder average temperatures and the inclusion of Inergy Propane operations resulted in a higher concentration of residential volumes sold in fiscal 2013 compared to the prior year, which had a favorable impact on overall gross margins.

Table of Contents*Operating Expenses*

(Dollars in thousands)	Fiscal 2013	Fiscal 2012	Increase	Percent Increase
Operating expenses	\$ 469,496	\$ 298,772	\$ 170,724	57.1%
As a percent of total revenues	27.6%	28.1%		

Operating expenses of \$469.5 million for fiscal 2013 increased \$170.7 million, or 57.1%, compared to \$298.8 million in the prior year, primarily due to the addition of Inergy Propane, offset to an extent by lower payroll and benefit related expenses in our legacy operations resulting from operating efficiencies. In addition, operating expenses for fiscal 2013 included a \$7.0 million charge related to our voluntary partial withdrawal from a multi-employer pension plan and full withdrawal from four multi-employer pension plans, and a charge of \$4.6 million primarily for severance costs, both charges were associated with the integration of the Inergy Propane operations. These charges were excluded from our calculation of Adjusted EBITDA below.

As a result of the progress on our efforts to integrate the operations of Inergy Propane, including the initial process of blending geographic territories and systems, which commenced at the beginning of the third quarter of fiscal 2013, we have realized certain synergies in the combined operating expenses of Inergy Propane and our legacy operations.

General and Administrative Expenses

(Dollars in thousands)	Fiscal 2013	Fiscal 2012	Increase	Percent Increase
General and administrative expenses	\$ 64,845	\$ 59,020	\$ 5,825	9.9%
As a percent of total revenues	3.8%	5.5%		

General and administrative expenses of \$64.8 million for fiscal 2013 increased \$5.8 million compared to \$59.0 million for the prior year, primarily due to higher variable compensation associated with higher earnings, offset to an extent by a \$2.2 million gain on the sale of an asset in fiscal 2013. In addition, general and administrative expenses for fiscal 2013 included \$6.0 million of professional services and other expenses associated with the integration of the Inergy Propane operations. General and administrative expenses for fiscal 2012 included a \$4.5 million charge associated with a legal settlement and a \$2.1 million non-cash charge from a loss on disposal of an asset used in our natural gas and electricity business. These items were excluded from our calculation of Adjusted EBITDA below.

Acquisition-related Costs

During fiscal 2012 we recorded acquisition-related costs of \$17.9 million related to the Inergy Propane Acquisition. These costs were primarily attributable to investment banker, legal, accounting and other consulting fees.

Depreciation and Amortization

(Dollars in thousands)	Fiscal 2013	Fiscal 2012	Increase	Percent Increase
Depreciation and amortization	\$ 130,384	\$ 47,034	\$ 83,350	177.2%

As a percent of total revenues

7.7%

4.4%

Table of Contents

Depreciation and amortization expense of \$130.4 million in fiscal 2013 increased \$83.4 million, primarily as a result of the acquired tangible and identifiable intangible assets of Inergy Propane.

Interest Expense, net

(Dollars in thousands)	Fiscal 2013	Fiscal 2012	Increase	Percent Increase
Interest expense, net	\$ 95,427	\$ 38,633	\$ 56,794	147.0%
As a percent of total revenues	5.6%	3.6%		

Net interest expense of \$95.4 million for fiscal 2013 increased \$56.8 million compared to \$38.6 million in the prior year, primarily due to the issuance of \$496.6 million in aggregate principal amount of 7.5% senior notes due October 1, 2018 and \$503.4 million in aggregate principal amount of 7.375% senior notes due August 1, 2021 in connection with the Inergy Propane Acquisition on August 1, 2012. See Liquidity and Capital Resources below for additional discussion.

Loss on Debt Extinguishment

On August 2, 2013, we repurchased, pursuant to an optional redemption, \$133.4 million of our 7.375% senior notes due August 1, 2021 using net proceeds from our May 2013 public offering and net proceeds from the underwriters exercise of their over-allotment option to purchase additional Common Units. In addition, on August 6, 2013, we repurchased \$23.9 million of our 2021 senior notes in a private transaction using cash on hand. In connection with these repurchases, which totaled \$157.3 million in aggregate principal amount, we recognized a loss on the extinguishment of debt of \$2.1 million consisting of \$11.7 million for the repurchase premium and related fees, as well as the write-off of \$2.1 million and (\$11.7) million in unamortized debt origination costs and unamortized premium, respectively.

During fiscal 2012, in connection with the execution of the amendment of our credit agreement on January 5, 2012, we recognized a non-cash charge of \$0.5 million to write-off a portion of unamortized debt origination costs associated with the credit agreement during the first quarter of fiscal 2012. In addition, in connection with the repayment, on August 14, 2012, of borrowings under our 364-Day Facility (defined below) which was used as short-term financing to fund a portion of the Inergy Propane Acquisition, we recognized a non-cash charge of \$1.7 million to write off unamortized debt origination costs associated with the 364-Day Facility during the fourth quarter of fiscal 2012. See Liquidity and Capital Resources below for additional discussion on the amendment to the credit agreement and other financing activities.

Net Income and Adjusted EBITDA

Net income for fiscal 2013 amounted to \$78.8 million, or \$1.35 per Common Unit, compared to \$0.6 million, or \$0.02 per Common Unit, in fiscal 2012. Earnings before interest, taxes, depreciation and amortization (EBITDA) for fiscal 2013 amounted to \$305.2 million, compared to \$86.4 million for fiscal 2012.

Net income and EBITDA for fiscal 2013 included: (i) \$10.6 million in expenses related to the ongoing integration of Inergy Propane; (ii) \$7.0 million in charges related to our voluntary withdrawal from multi-employer pension plans covering certain employees acquired in the Inergy Propane Acquisition; and (iii) a loss on debt extinguishment of \$2.1 million. Net income and EBITDA for fiscal 2012 included: (i) \$17.9 million in acquisition-related costs associated with the Inergy Propane Acquisition; (ii) a charge of \$4.5 million associated with a legal settlement; (iii) a \$2.1

million non-cash charge from a loss on disposal of an asset in our natural gas and electricity business; and (iv) a loss on debt extinguishment of \$2.2 million. Excluding the effects of these charges, as well as the unrealized (non-cash) mark-to-market adjustments on derivative instruments in both years, Adjusted EBITDA amounted to \$329.3 million for fiscal 2013, compared to Adjusted EBITDA of \$108.5 million in fiscal 2012.

Table of Contents

The following table sets forth (i) our calculations of EBITDA and adjusted EBITDA and (ii) a reconciliation of both EBITDA and adjusted EBITDA, as so calculated, to our net cash provided by operating activities:

(Dollars in thousands)	Year Ended	
	September 28, 2013	September 29, 2012
Net income	\$ 78,798	\$ 638
Add:		
Provision for income taxes	607	137
Interest expense, net	95,427	38,633
Depreciation and amortization	130,384	47,034
EBITDA	305,216	86,442
Unrealized (non-cash) losses (gains) on changes in fair value of derivatives	4,318	(4,649)
Integration-related costs	10,575	
Loss on debt extinguishment	2,144	2,249
Multi-employer pension plan withdrawal charge	7,000	
Acquisition-related costs		17,916
Loss on legal settlement		4,500
Loss on asset disposal		2,078
Adjusted EBITDA	329,253	108,536
Add (subtract):		
Provision for income taxes	(607)	(137)
Interest expense, net	(95,427)	(38,633)
Unrealized (non-cash) (losses) gains on changes in fair value of derivatives	(4,318)	4,649
Integration-related costs	(10,575)	
Multi-employer pension plan withdrawal charge	(7,000)	
Acquisition-related costs		(17,916)
Loss on legal settlement		(4,500)
Compensation cost recognized under Restricted Unit Plans	3,888	4,059
Gain on disposal of property, plant and equipment, net	(3,543)	(727)
Changes in working capital and other assets and liabilities	2,635	55,642
Net cash provided by operating activities	\$ 214,306	\$ 110,973

Liquidity and Capital Resources*Analysis of Cash Flows*

Operating Activities. Net cash provided by operating activities for fiscal 2014 amounted to \$225.5 million, an increase of \$11.2 million compared to the prior year. The increase was primarily attributable to an increase in earnings, after adjusting for non-cash items in both periods. In addition, average posted prices for propane during fiscal 2014 increased 24.8% compared to the prior year, which resulted in a substantial increase in working capital requirements year-over-year. Cash flows from operating activities for fiscal 2013 benefited to an extent by the realization of working capital acquired in the Inergy Propane Acquisition.

Table of Contents

Investing Activities. Net cash used in investing activities of \$16.5 million for fiscal 2014 consisted of capital expenditures of \$30.1 million (including \$18.2 million for maintenance expenditures and \$11.9 million to support the growth of operations), partially offset by the net proceeds of \$13.5 million from the sale of property, plant and equipment. Net cash used in investing activities of \$14.7 million for fiscal 2013 consisted of capital expenditures of \$27.8 million (including \$8.3 million for maintenance expenditures and \$19.5 million to support the growth of operations), partially offset by the net proceeds of \$7.3 million from the sale of property, plant and equipment, and net proceeds of \$5.8 million from Inergy as a result of a purchase price adjustment attributable to the working capital of Inergy Propane.

Financing Activities. Net cash used in financing activities for fiscal 2014 of \$223.6 million reflects the quarterly distribution to Common Unitholders at a rate of \$0.8750 per Common Unit paid in respect of the fourth quarter of fiscal 2013 and the first, second and third quarters of fiscal 2014. In addition, cash used in financing activities included proceeds of \$525.0 million from the issuance of the 2024 Senior Notes in May 2014. The net proceeds from the 2024 Senior Notes offering were used, along with cash on hand, to repurchase and satisfy and discharge all of the outstanding 2018 Senior Notes, as well as to pay tender premiums and other related fees of \$31.6 million and debt issuance costs of \$9.5 million, pursuant to a tender offer and redemption.

Net cash used in financing activities for fiscal 2013 of \$226.7 million reflects the quarterly distribution to Common Unitholders at a rate of \$0.8525 per Common Unit paid in respect of the fourth quarter of fiscal 2012 and at a rate of \$0.8750 per Common Unit paid in respect of the first, second and third quarters of fiscal 2013. In addition, net cash used in financing activities for fiscal 2013 includes proceeds of \$143.4 million from the issuance of 3,105,000 of our Common Units in May 2013. The net proceeds from the equity offering, along with cash on hand, were used to redeem \$157.3 million of our 2021 Senior Notes in August 2013.

Equity Offering

On May 17, 2013, we sold 2,700,000 Common Units in a public offering at a price of \$48.16 per Common Unit realizing proceeds of \$124.7 million, net of underwriting commissions and other offering expenses. On May 22, 2013, following the underwriters' exercise of their over-allotment option, we sold an additional 405,000 Common Units at \$48.16 per Common Unit, generating additional proceeds of \$18.7 million, net of underwriting commissions. The net proceeds from the offering, including the net proceeds from the underwriters' exercise of their over-allotment option, were used to redeem \$133.4 million of our 2021 senior notes in August 2013, including prepayment premiums and other expenses.

Summary of Long-Term Debt Obligations and Revolving Credit Lines

As of September 27, 2014, our long-term debt consisted of \$250.0 million in aggregate principal amount of 7.375% senior notes due March 15, 2020, \$346.2 million in aggregate principal amount of 7.375% senior notes due August 1, 2021, \$525.0 million in aggregate principal amount of 5.5% senior notes due June 1, 2024 and \$100.0 million outstanding under our senior secured Revolving Credit Facility.

Senior Notes***2018 Senior Notes and 2021 Senior Notes***

On August 1, 2012, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., issued \$496.6 million in aggregate principal amount of unregistered 7.5% senior notes due October 1, 2018 (the 2018 Senior Notes) and \$503.4 million in aggregate principal amount of unregistered 7.375% senior notes due August 1, 2021 (the 2021

Senior Notes) in a private placement in connection with the Inergy Propane Acquisition. Based on market rates for similar issues, the 2018 Senior Notes and 2021 Senior Notes were valued at 106.875% and 108.125%, respectively, of the principal amount, on the Acquisition Date as they were issued in exchange for Inergy s outstanding notes, not for cash.

On May 27, 2014, we repurchased and satisfied and discharged all of our 2018 Senior Notes with net proceeds from the issuance of the 2024 Senior Notes, as defined below, and cash on hand, pursuant to a tender offer and redemption during the third quarter of fiscal 2014. In connection with this tender offer and redemption, we recognized a loss on the extinguishment of debt of \$11.6 million consisting of \$31.6 million for the redemption premium and related fees, as well as the write-off of \$5.3 million and (\$25.3) million in unamortized debt origination costs and unamortized premium, respectively. The 2018 Senior Notes required semi-annual interest payments in April and October, and the 2021 Senior Notes require semi-annual interest payments in February and August.

Table of Contents

The 2021 Senior Notes are redeemable, at our option, in whole or in part, at any time on or after August 1, 2016, in each case at the redemption prices described in the table below, together with any accrued and unpaid interest to date of the redemption.

Year	Percentage
2016	103.688%
2017	102.459%
2018	101.229%
2019 and thereafter	100.000%

On December 19, 2012, we completed an offer to exchange our then-outstanding unregistered 7.5% senior notes due 2018 and 7.375% senior notes due 2021 (collectively, the *Old Notes*) for an equal principal amount of 7.5% senior notes due 2018 and 7.375% senior notes due 2021 (collectively, the *Exchange Notes*), respectively, that have been registered under the Securities Act of 1933, as amended. The terms of the Exchange Notes are identical in all material respects (including principal amount, interest rate, maturity and redemption rights) to the Old Notes for which they were exchanged, except that the Exchange Notes generally will not be subject to transfer restrictions.

On August 2, 2013, we repurchased, pursuant to optional redemption, \$133.4 million of our 2021 Senior Notes using net proceeds from our May 2013 public offering and net proceeds from the underwriters' exercise of their over-allotment option to purchase additional Common Units. In addition, on August 6, 2013, we repurchased \$23.9 million of our 2021 Senior Notes in a private transaction using cash on hand. In connection with these repurchases, which totaled \$157.3 million in aggregate principal amount, we recognized a loss on the extinguishment of debt of \$2.1 million consisting of \$11.7 million for the repurchase premium and related fees, as well as the write-off of \$2.1 million and (\$11.7) million in unamortized debt origination costs and unamortized premium, respectively.

2020 Senior Notes

On March 23, 2010, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of \$250.0 million in aggregate principal amount of 7.375% senior notes due March 15, 2020 (the *2020 Senior Notes*). The 2020 Senior Notes were issued at 99.136% of the principal amount and require semi-annual interest payments in March and September.

The 2020 Senior Notes are redeemable, at our option, in whole or in part, at any time on or after March 15, 2015, in each case at the redemption prices described in the table below, together with any accrued and unpaid interest to the date of the redemption.

Year	Percentage
2015	103.688%
2016	102.458%
2017	101.229%
2018 and thereafter	100.000%

2024 Senior Notes

As previously discussed, on May 27, 2014, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of \$525.0 million in aggregate principal amount of 5.5% senior notes due June 1,

2024 (the 2024 Senior Notes). The 2024 Senior Notes were issued at 100% of the principal amount and require semi-annual interest payments in June and December, beginning in December 2014. The net proceeds from the issuance of the 2024 Senior Notes, along with cash on hand, were used to repurchase and satisfy and discharge all of the 2018 Senior Notes.

Table of Contents

The 2024 Senior Notes are redeemable, at our option, in whole or in part, at any time on or after June 1, 2019, in each case at the redemption prices described in the table below, together with any accrued and unpaid interest to the date of the redemption.

Year	Percentage
2019	102.750%
2020	101.833%
2021	100.917%
2022 and thereafter	100.000%

Our obligations under the 2020 Senior Notes, 2021 Senior Notes and 2024 Senior Notes (collectively, the Senior Notes) are unsecured and rank senior in right of payment to any future subordinated indebtedness and equally in right of payment with any future senior indebtedness. The Senior Notes are structurally subordinated to, which means they rank effectively behind, any debt and other liabilities of the Operating Partnership. The Senior Notes each have a change of control provision that would require us to offer to repurchase the notes at 101% of the principal amount repurchased, if a change of control, as defined in the indenture, occurs and is followed by a rating decline (a decrease in the rating of the notes by either Moody's Investors Service or Standard and Poor's Rating Group by one or more gradations) within 90 days of the consummation of the change of control.

Credit Agreement

Our Operating Partnership has an amended and restated credit agreement entered into on January 5, 2012, as amended on August 1, 2012 and May 9, 2014 (collectively, the Amended Credit Agreement) that provides for a five-year \$400.0 million revolving credit facility (the Revolving Credit Facility), of which \$100.0 million was outstanding as of September 27, 2014 and September 28, 2013. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, including working capital, capital expenditures and acquisitions. Our Operating Partnership has the right to prepay any borrowings under the Revolving Credit Facility, in whole or in part, without penalty at any time prior to maturity.

During the second quarter of fiscal 2014, we experienced a significant increase in working capital requirements as a result of the impact of the significant increase in wholesale propane costs. This increase in working capital requirements resulted in the net borrowing of \$61.7 million under our Revolving Credit Facility during fiscal 2014. The borrowings were repaid in full during fiscal 2014 with internally generated cash.

The amendment and restatement of the credit agreement on January 5, 2012 amended the previous credit agreement to, among other things, extend the maturity date from June 25, 2013 to January 5, 2017, reduce the borrowing rate and commitment fees, and amend certain affirmative and negative covenants.

On August 1, 2012, our Operating Partnership executed an amendment to the Amended Credit Agreement to, among other things, provide for (i) a \$250.0 million senior secured 364-Day Facility and (ii) an increase in our revolving credit facility under the Amended Credit Agreement from \$250.0 million to \$400.0 million. On the Acquisition Date, our Operating Partnership drew \$225.0 million on the 364-Day Facility, which was used to fund a portion of the Inergy Propane Acquisition, including costs and expenses related to the acquisition. We repaid the \$225.0 million of borrowings under the 364-Day Facility on August 14, 2012 with the net proceeds from the public issuance of Common Units on August 14, 2012.

The amendment to the Amended Credit Agreement on August 1, 2012 also amended certain restrictive and affirmative covenants applicable to our Operating Partnership and to us, as well as certain financial covenants, including (a) requiring our consolidated interest coverage ratio, as defined in the amendment, to be not less than 2.0 to 1.0 as of the end of any fiscal quarter; (b) prohibiting the total consolidated leverage ratio, as defined in the amendment, of the Partnership from being greater than 7.0 to 1.0 as of the end of any fiscal quarter. The minimum consolidated interest coverage ratio increases over time, and commencing with the second quarter of fiscal 2014, such minimum ratio is 2.5 to 1.0. The maximum consolidated leverage ratio decreases over time, as well as upon the occurrence of certain events, and, commencing with the second quarter of fiscal 2013, such maximum ratio is 4.75 to 1.0 (or 5.0 to 1.0 during an acquisition period as defined in the amendment) as a result of the issuance of Common Units in August 2012.

Table of Contents

The second amendment to the Amended Credit Agreement on May 9, 2014 made certain technical amendments with respect to agreements relating to debt refinancing.

We act as a guarantor with respect to the obligations of our Operating Partnership under the Amended Credit Agreement pursuant to the terms and conditions set forth therein. The obligations under the Amended Credit Agreement are secured by liens on substantially all of the personal property of the Partnership, the Operating Partnership and their subsidiaries, as well as mortgages on certain real property.

Borrowings under the Revolving Credit Facility of the Amended Credit Agreement bear interest at prevailing interest rates based upon, at the Operating Partnership's option, LIBOR plus the applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus $\frac{1}{2}$ of 1%, the agent bank's prime rate, or LIBOR plus 1%, plus in each case the applicable margin. The applicable margin is dependent upon our ratio of Consolidated Total Debt to Consolidated EBITDA, as defined in the Revolving Credit Facility. As of September 27, 2014, the interest rate for the Revolving Credit Facility was approximately 2.5%. The interest rate and the applicable margin will be reset at the end of each calendar quarter.

In connection with the Amended Credit Agreement, our Operating Partnership entered into an interest rate swap agreement with a June 25, 2013 effective date and a maturity date of January 5, 2017. Under this interest rate swap agreement, our Operating Partnership will pay a fixed interest rate of 1.63% to the issuing lender on the notional principal amount outstanding, and the issuing lender will pay our Operating Partnership a floating rate, namely LIBOR, on the same notional principal amount. The interest rate swap has been designated as a cash flow hedge.

As of September 27, 2014, our Operating Partnership had standby letters of credit issued under the Revolving Credit Facility in the aggregate amount of \$44.9 million which expire periodically through April 3, 2015. Therefore, as of September 27, 2014, after giving effect to \$100.0 million in outstanding borrowings, we had available borrowing capacity of \$255.1 million under the Revolving Credit Facility.

The Amended Credit Agreement and the Senior Notes both contain various restrictive and affirmative covenants applicable to the Operating Partnership and the Partnership, respectively, including (i) restrictions on the incurrence of additional indebtedness, and (ii) restrictions on certain liens, investments, guarantees, loans, advances, payments, mergers, consolidations, distributions, sales of assets and other transactions. Under the Amended Credit Agreement and the indentures governing the Senior Notes, the Operating Partnership and the Partnership are generally permitted to make cash distributions equal to available cash, as defined, as of the end of the immediately preceding quarter, if no event of default exists or would exist upon making such distributions, and with respect to the indentures governing the Senior Notes, our consolidated fixed charge coverage ratio, as defined, is greater than 1.75 to 1. We and our Operating Partnership were in compliance with all covenants and terms of the Senior Notes and the Amended Credit Agreement as of September 27, 2014.

Debt origination costs representing the costs incurred in connection with the placement of, and the subsequent amendment to, long-term borrowings are capitalized within other assets and amortized on a straight-line basis over the term of the respective debt agreements. During fiscal 2014, we recognized charges of \$5.3 million to write-off unamortized debt origination costs associated with the tender offer and redemption of our 2018 Senior Notes. During fiscal 2013, we recognized charges of \$2.1 million to write-off unamortized debt origination costs associated with the repurchase of our 2021 Senior Notes. Other assets at September 27, 2014 and September 28, 2013 include debt origination costs with a net carrying amount of \$21.0 million and \$21.3 million, respectively.

The aggregate amounts of long-term debt maturities subsequent to September 27, 2014 are as follows: fiscal 2015 through fiscal 2016: \$-0-; fiscal 2017: \$100.0 million; fiscal 2018: \$-0-; fiscal 2019: \$-0-; and thereafter: \$1,121.2

million.

Table of Contents

Partnership Distributions

We are required to make distributions in an amount equal to all of our Available Cash, as defined in our Third Amended and Restated Partnership Agreement, as amended (the Partnership Agreement), no more than 45 days after the end of each fiscal quarter to holders of record on the applicable record dates. Available Cash, as defined in the Partnership Agreement, generally means all cash on hand at the end of the respective fiscal quarter less the amount of cash reserves established by the Board of Supervisors in its reasonable discretion for future cash requirements. These reserves are retained for the proper conduct of our business, the payment of debt principal and interest and for distributions during the next four quarters. The Board of Supervisors reviews the level of Available Cash on a quarterly basis based upon information provided by management.

On October 23, 2014, we announced that our Board of Supervisors had declared a quarterly distribution of \$0.8750 per Common Unit for the three months ended September 27, 2014. This quarterly distribution rate equates to an annualized rate of \$3.50 per Common Unit. The distribution was paid on November 10, 2014 to Common Unitholders of record as of November 3, 2014.

Pension Plan Assets and Obligations

We have a noncontributory defined benefit pension plan which was originally designed to cover all of our eligible employees who met certain requirements as to age and length of service. Effective January 1, 1998, we amended the defined benefit pension plan to provide benefits under a cash balance formula as compared to a final average pay formula which was in effect prior to January 1, 1998. Our defined benefit pension plan was frozen to new participants effective January 1, 2000 and, in furtherance of our effort to minimize future increases in our benefit obligations, effective January 1, 2003, all future service credits were eliminated. Therefore, eligible participants will receive interest credits only toward their ultimate defined benefit under the defined benefit pension plan. There were no minimum funding requirements for the defined benefit pension plan during fiscal 2014, 2013 or 2012. As of September 27, 2014 and September 28, 2013 the plan's projected benefit obligation exceeded the fair value of plan assets by \$32.1 million and \$27.9 million, respectively. As a result, the net liability recognized in the consolidated financial statements for the defined benefit pension plan increased by \$4.2 million during fiscal 2014, which was primarily attributable to an increase in the present value of the benefit obligation due to a general decrease in market interest rates.

Our investment policies and strategies, as set forth in the Investment Management Policy and Guidelines, are monitored by a Benefits Committee comprised of five members of management. The Benefits Committee employs a liability driven investment strategy, which seeks to increase the correlation of the plan's assets and liabilities to reduce the volatility of the plan's funded status. The execution of this strategy has resulted in an asset allocation that is largely comprised of fixed income securities. A liability driven investment strategy is intended to reduce investment risk and, over the long-term, generate returns on plan assets that largely fund the annual interest on the accumulated benefit obligation. However, as we experienced in recent fiscal years, significant declines in interest rates relevant to our benefit obligations, and/or poor performance in the broader capital markets in which our plan assets are invested, could have an adverse impact on the funded status of the defined benefit pension plan. For purposes of measuring the projected benefit obligation as of September 27, 2014 and September 28, 2013, we used a discount rate of 3.875% and 4.375%, respectively, reflecting current market rates for debt obligations of a similar duration to our pension obligations.

During fiscal 2014, fiscal 2013 and fiscal 2012, the amount of the pension benefit obligation settled through lump sum payments did not exceed the settlement threshold (combined service and interest costs of net periodic pension cost); therefore, a settlement charge was not required to be recognized in any of those fiscal years.

We also provide postretirement health care and life insurance benefits for certain retired employees. Partnership employees who were hired prior to July 1993 and retired prior to March 1998 are eligible for health care benefits if they reached a specified retirement age while working for the Partnership. Partnership employees hired prior to July 1993 are eligible for postretirement life insurance benefits if they reach a specified retirement age while working for the Partnership. Effective January 1, 2000, we terminated our postretirement health care benefit plan for all eligible employees retiring after March 1, 1998. All active and eligible employees who were to receive health care benefits under the postretirement plan subsequent to March 1, 1998 were provided an increase to their accumulated benefits under the defined benefit pension plan. Our postretirement health care and life insurance benefit plans are unfunded. Effective January 1, 2006, we changed our postretirement health care plan from a self-insured program to one that is fully insured under which we pay a portion of the insurance premium on behalf of the eligible participants.

Table of Contents**Long-Term Debt Obligations and Operating Lease Obligations*****Contractual Obligations***

The following table summarizes payments due under our known contractual obligations as of September 27, 2014:

(Dollars in thousands)	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020 and thereafter
Long-term debt obligations	\$	\$	\$ 100,000	\$	\$	\$ 1,121,180
Interest payments	77,999	77,999	75,493	72,843	72,843	204,655
Operating lease obligations (a)	25,266	17,781	12,199	9,224	6,131	7,469
Self-insurance obligations (b)	14,356	12,236	9,232	5,374	3,369	17,883
Other contractual obligations (c)	4,308	4,156	4,054	2,201	1,282	16,592
Total	\$ 121,929	\$ 112,172	\$ 200,978	\$ 89,642	\$ 83,625	\$ 1,367,779

- (a) Payments exclude costs associated with insurance, taxes and maintenance, which are not material to the operating lease obligations.
- (b) The timing of when payments are due for our self-insurance obligations is based on estimates that may differ from when actual payments are made. In addition, the payments do not reflect amounts to be recovered from our insurance providers, which amount to \$3.9 million, \$3.5 million, \$2.7 million, \$1.5 million, \$0.9 million and \$5.8 million for each of the next five fiscal years and thereafter, respectively, and are included in other assets on the consolidated balance sheet.
- (c) These amounts are included in our consolidated balance sheet and primarily include payments for postretirement and long-term incentive benefits.

Additionally, we have standby letters of credit in the aggregate amount of \$44.9 million, in support of retention levels under our casualty insurance programs and certain lease obligations, which expire periodically through April 3, 2015.

Operating Leases

We lease certain property, plant and equipment for various periods under noncancelable operating leases, including 47% of our vehicle fleet, approximately 27% of our customer service centers and portions of our information systems equipment. Rental expense under operating leases was \$31.8 million, \$33.0 million and \$23.6 million for fiscal 2014, 2013 and 2012, respectively. Future minimum rental commitments under noncancelable operating lease agreements as of September 27, 2014 are presented in the table above.

Off-Balance Sheet Arrangements**Guarantees**

Certain of our operating leases, primarily those for transportation equipment with remaining lease periods scheduled to expire periodically through fiscal 2021, contain residual value guarantee provisions. Under those provisions, we guarantee that the fair value of the equipment will equal or exceed the guaranteed amount upon completion of the

lease period, or we will pay the lessor the difference between fair value and the guaranteed amount.

Table of Contents

Although the fair value of equipment at the end of its lease term has historically exceeded the guaranteed amounts, the maximum potential amount of aggregate future payments we could be required to make under these leasing arrangements, assuming the equipment is deemed worthless at the end of the lease term, was approximately \$14.1 million. The fair value of residual value guarantees for outstanding operating leases was de minimis as of September 27, 2014 and September 28, 2013.

Recently Issued Accounting Pronouncements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 Revenue from Contracts with Customers (ASU 2014-09). This update provides a principles-based approach to revenue recognition, requiring revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU provides a five-step model to be applied to all contracts with customers. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when each performance obligation is satisfied. The revenue standard is effective for the first interim period within annual reporting periods beginning after December 15, 2016, which will be our first quarter of fiscal year 2018. ASU 2014-09 can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. We are evaluating the impacts, if any, the adoption of ASU 2014-09 will have on our results of operations, financial position or cash flows.

Recently Adopted Accounting Pronouncements.

In December 2011, the FASB issued an ASU regarding disclosures about offsetting assets and liabilities (ASU 2011-11). The new guidance requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position. The amendment, further clarified with ASU 2013-01, enhances disclosures by requiring improved information about financial instruments and derivative instruments that are either offset in accordance with other US GAAP or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether or not they are offset in the balance sheet. We adopted ASU 2011-11 and ASU 2013-01 on September 29, 2013 and included further disclosure regarding offsetting assets and liabilities for derivative instruments accounted for under ASC 815. As this guidance affects disclosures only, its adoption had no impact on our financial position, results of operations or cash flows.

In February 2013, the FASB issued an ASU to establish the effective date for the requirement to present components of reclassifications out of accumulated other comprehensive income either parenthetically on the face of the financial statements or in the notes to the financial statements (ASU 2013-02). We adopted ASU 2013-02 on September 29, 2013 and its adoption did not change the items that must be reported in other comprehensive income, nor did it have an impact on our financial position, results of operations or cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

We enter into product supply contracts that are generally one-year agreements subject to annual renewal, and also purchase product on the open market. Our propane supply contracts typically provide for pricing based upon index formulas using the posted prices established at major supply points such as Mont Belvieu, Texas, or Conway, Kansas

(plus transportation costs) at the time of delivery. In addition, to supplement our annual purchase requirements, we may utilize forward fixed price purchase contracts to acquire a portion of the propane that we resell to our customers, which allows us to manage our exposure to unfavorable changes in commodity prices and to ensure adequate physical supply. The percentage of contract purchases, and the amount of supply contracted for under forward contracts at fixed prices, will vary from year to year based on market conditions. In certain instances, and when market conditions are favorable, we are able to purchase product under our supply arrangements at a discount to the market.

Table of Contents

Product cost changes can occur rapidly over a short period of time and can impact profitability. We attempt to reduce commodity price risk by pricing product on a short-term basis. The level of priced, physical product maintained in storage facilities and at our customer service centers for immediate sale to our customers will vary depending on several factors, including, but not limited to, price, supply and demand dynamics for a given time of the year. Typically, our on hand priced position does not exceed more than four to eight weeks of our supply needs, depending on the time of the year. In the course of normal operations, we routinely enter into contracts such as forward priced physical contracts for the purchase or sale of propane and fuel oil that, under accounting rules for derivative instruments and hedging activities, qualify for and are designated as normal purchase or normal sale contracts. Such contracts are exempted from fair value accounting and are accounted for at the time product is purchased or sold under the related contract.

Under our hedging and risk management strategies, we enter into a combination of exchange-traded futures and options contracts and, in certain instances, over-the-counter options and swap contracts (collectively, derivative instruments) to manage the price risk associated with physical product and with future purchases of the commodities used in our operations, principally propane and fuel oil, as well as to ensure the availability of product during periods of high demand. In addition, the Partnership sells propane and fuel oil to customers at fixed prices, and enters into derivative instruments to hedge a portion of its exposure to fluctuations in commodity prices as a result of selling the fixed price contracts. We do not use derivative instruments for speculative trading purposes. Futures and swap contracts require that we sell or acquire propane or fuel oil at a fixed price for delivery at fixed future dates. An option contract allows, but does not require, its holder to buy or sell propane or fuel oil at a specified price during a specified time period. However, the writer of an option contract must fulfill the obligation of the option contract, should the holder choose to exercise the option. At expiration, the contracts are settled by the delivery of the product to the respective party or are settled by the payment of a net amount equal to the difference between the then market price and the fixed contract price or option exercise price. To the extent that we utilize derivative instruments to manage exposure to commodity price risk and commodity prices move adversely in relation to the contracts, we could suffer losses on those derivative instruments when settled. Conversely, if prices move favorably, we could realize gains. Under our hedging and risk management strategy, realized gains or losses on derivative instruments will typically offset losses or gains on the physical inventory once the product is sold to customers at market prices, or delivered to customers as it pertains to fixed price contracts.

Futures are traded with brokers of the NYMEX and require daily cash settlements in margin accounts. Forward contracts are generally settled at the expiration of the contract term by physical delivery, and swap and options contracts are generally settled at expiration through a net settlement mechanism. Market risks associated with our derivative instruments are monitored daily for compliance with our Hedging and Risk Management Policy which includes volume limits for open positions. Open inventory positions are reviewed and managed daily as to exposures to changing market prices.

Credit Risk

Exchange-traded futures and options contracts are guaranteed by the NYMEX and, as a result, have minimal credit risk. We are subject to credit risk with over-the-counter forward, swap and options contracts to the extent the counterparties do not perform. We evaluate the financial condition of each counterparty with which we conduct business and establish credit limits to reduce exposure to the risk of non-performance by our counterparties.

Interest Rate Risk

A portion of our borrowings bear interest at prevailing interest rates based upon, at the Operating Partnership's option, LIBOR, plus an applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus $\frac{1}{2}$ of 1% or

the agent bank's prime rate, or LIBOR plus 1%, plus the applicable margin. The applicable margin is dependent on the level of the Partnership's total consolidated leverage ratio (the ratio of consolidated total debt to consolidated EBITDA). Therefore, we are subject to interest rate risk on the variable component of the interest rate. We manage our interest rate risk by entering into interest rate swap agreements. The interest rate swaps have been designated as a cash flow hedge. Changes in the fair value of the interest rate swaps are recognized in other comprehensive income (OCI) until the hedged item is recognized in earnings. At September 27, 2014, the fair value of the interest rate swaps was a net liability of \$1.5 million, which is included within other current liabilities and other liabilities, as applicable, with a corresponding unrealized loss reflected in accumulated other comprehensive income.

Table of Contents

Derivative Instruments and Hedging Activities

All of our derivative instruments are reported on the balance sheet at their fair values. On the date that derivative instruments are entered into, we make a determination as to whether the derivative instrument qualifies for designation as a hedge. Changes in the fair value of derivative instruments are recorded each period in current period earnings or OCI, depending on whether a derivative instrument is designated as a hedge and, if so, the type of hedge. For derivative instruments designated as cash flow hedges, we formally assess, both at the hedge contract's inception and on an ongoing basis, whether the hedge contract is highly effective in offsetting changes in cash flows of hedged items. Changes in the fair value of derivative instruments designated as cash flow hedges are reported in OCI to the extent effective and reclassified into earnings during the same period in which the hedged item affects earnings. The mark-to-market gains or losses on ineffective portions of cash flow hedges are immediately recognized in earnings. Changes in the fair value of derivative instruments that are not designated as cash flow hedges, and that do not meet the normal purchase and normal sale exemption, are recorded in earnings as they occur. Cash flows associated with derivative instruments are reported as operating activities within the consolidated statement of cash flows.

Sensitivity Analysis

In an effort to estimate our exposure to unfavorable market price changes in commodities related to our open positions under derivative instruments, we developed a model that incorporates the following data and assumptions:

- A. The fair value of open positions as of September 27, 2014.
- B. The market prices for the underlying commodities used to determine A. above were adjusted adversely by a hypothetical 10% change and compared to the fair value amounts in A. above to project the potential negative impact on earnings that would be recognized for the respective scenario.

Based on the sensitivity analysis described above, the hypothetical 10% adverse change in market prices for open derivative instruments as of September 27, 2014 indicates an increase in potential future net losses of \$2.7 million. The above hypothetical change does not reflect the worst case scenario. Actual results may be significantly different depending on market conditions and the composition of the open position portfolio.

Table of Contents**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Our Consolidated Financial Statements and the Report of Independent Registered Public Accounting Firm thereon listed on the accompanying Index to Financial Statements in Part IV, Item 15 (see page F-1) and the Supplemental Financial Information listed on the accompanying Index to Financial Statement Schedule in Part IV, Item 15 (see page S-1) are included herein.

Selected Quarterly Financial Data

Due to the seasonality of the retail propane, fuel oil and other refined fuel and natural gas businesses, our first and second quarter revenues and earnings are consistently greater than third and fourth quarter results. The following presents our selected quarterly financial data for the last two fiscal years (unaudited; in thousands, except per unit amounts).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Fiscal 2014					
Revenues	\$ 526,056	\$ 873,772	\$ 297,143	\$ 241,286	\$ 1,938,257
Cost of products sold	280,526	517,198	161,482	121,544	1,080,750
Operating income (loss)	80,055	171,044	(26,575)	(34,398)	190,126
Loss on debt extinguishment (a)			11,589		11,589
Net income (loss)	58,671	149,547	(58,989)	(54,720)	94,509
Net income (loss) per common unit basic (b)	0.97	2.47	(0.98)	(0.90)	1.56
Net income (loss) per common unit diluted (b)	0.97	2.46	(0.98)	(0.90)	1.56
Cash provided by (used in):					
Operating activities	4,161	16,226	124,583	80,581	225,551
Investing activities	(3,424)	(4,947)	(3,731)	(4,430)	(16,532)
Financing activities	(52,702)	2,232	(120,313)	(52,829)	(223,612)
EBITDA (c)	\$ 114,882	\$ 204,326	\$ (5,172)	\$ 900	\$ 314,936
Adjusted EBITDA (c)	\$ 117,708	\$ 206,269	\$ 10,023	\$ 4,502	\$ 338,502
Retail gallons sold					
Propane	157,858	213,689	83,156	76,040	530,743
Fuel oil and refined fuels	13,997	22,617	6,981	5,476	49,071
Fiscal 2013					
Revenues	\$ 490,703	\$ 678,426	\$ 290,805	\$ 243,672	\$ 1,703,606
Cost of products sold	245,100	346,999	148,176	121,630	861,905
Operating income (loss)	82,308	153,977	(20,654)	(38,655)	176,976
Loss on debt extinguishment (a)				2,144	2,144
Net income (loss)	57,620	129,484	(45,187)	(63,119)	78,798
Net income (loss) per common unit basic (b)	1.05	2.29	(0.77)	(1.05)	1.35
Net income (loss) per common unit diluted (b)	1.04	2.28	(0.77)	(1.05)	1.34
Cash provided by (used in):					
Operating activities	61,537	72,426	66,505	13,838	214,306
Investing activities	1,847	(4,999)	(6,532)	(4,979)	(14,663)
Financing activities	(48,605)	(49,965)	93,459	(221,617)	(226,728)

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EBITDA (c)	\$ 112,835	\$ 185,293	\$ 10,850	\$ (3,762)	\$ 305,216
Adjusted EBITDA (c)	\$ 117,473	\$ 190,668	\$ 19,171	\$ 1,941	\$ 329,253
Retail gallons sold					
Propane	153,933	210,314	92,109	78,265	534,621
Fuel oil and refined fuels	15,885	23,223	8,331	6,271	53,710

- (a) During the third quarter of fiscal 2014, we repurchased and satisfied and discharged all of our 2018 Senior Notes with net proceeds from the issuance of the 2024 Senior Notes and cash on hand pursuant to a tender offer and redemption. In connection with this tender offer and redemption, we recognized a loss on the extinguishment of debt of \$11.6 million consisting of \$31.6 million for the redemption premium and related fees, as well as the write-off of \$5.3 million and (\$25.3) million in unamortized debt origination costs and unamortized premium, respectively. During the fourth quarter of fiscal 2013, we repurchased pursuant to an optional redemption \$133.4 million of our 2021 Senior Notes using net proceeds from our May 2013 public offering and net proceeds from the underwriters' exercise of their over-allotment option to purchase additional Common Units. In addition, we repurchased \$23.9 million of our 2021 Senior Notes in a private transaction using cash on hand. In connection with these repurchases, which totaled \$157.3 million in aggregate principal amount, we recognized a loss on the extinguishment of debt of \$2.1 million consisting of \$11.7 million for the repurchase premium and related fees, as well as the write-off of \$2.1 million and (\$11.7) million in unamortized debt origination costs and unamortized premium, respectively.

Table of Contents

- (b) Basic net income (loss) per Common Unit is computed by dividing net income (loss) by the weighted average number of outstanding Common Units, and restricted units granted under the Restricted Unit Plans to retirement-eligible grantees. Computations of diluted net income per Common Unit are performed by dividing net income by the weighted average number of outstanding Common Units and unvested restricted units granted under our Restricted Unit Plans. Diluted loss per Common Unit for the periods where a net loss was reported does not include unvested restricted units granted under our Restricted Unit Plans as their effect would be anti-dilutive. On May 17, 2013, we sold 2.7 million Common Units in a public offering. On May 22, 2013, following the underwriters' exercise of their over-allotment option, we sold an additional 0.4 million Common Units.
- (c) EBITDA represents net income before deducting interest expense, income taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA excluding the unrealized net gain or loss from mark-to-market activity for derivative instruments and other certain items as provided in the table below. Our management uses EBITDA and Adjusted EBITDA as measures of liquidity and we are including them because we believe that they provide our investors and industry analysts with additional information to evaluate our ability to meet our debt service obligations and to pay our quarterly distributions to holders of our Common Units. EBITDA and Adjusted EBITDA are not recognized terms under US GAAP and should not be considered as an alternative to net income or net cash provided by operating activities determined in accordance with US GAAP. Because EBITDA and Adjusted EBITDA as determined by us excludes some, but not all, items that affect net income, they may not be comparable to EBITDA and Adjusted EBITDA or similarly titled measures used by other companies. The following table sets forth (i) our calculations of EBITDA and (ii) a reconciliation of EBITDA, as so calculated, to our net cash provided by (used in) operating activities (amounts in thousands):

Table of Contents

Fiscal 2014	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Net income (loss)	\$ 58,671	\$ 149,547	\$ (58,989)	\$ (54,720)	\$ 94,509
Add:					
Provision for income taxes	177	271	163	156	767
Interest expense, net	21,207	21,226	20,662	20,166	83,261
Depreciation and amortization	34,827	33,282	32,992	35,298	136,399
EBITDA	114,882	204,326	(5,172)	900	314,936
Unrealized (non-cash) losses (gains) on changes in fair value of derivatives	290	(291)	(707)	402	(306)
Integration related costs	2,536	2,234	4,313	3,200	12,283
Loss on debt extinguishment			11,589		11,589
Adjusted EBITDA	117,708	206,269	10,023	4,502	338,502
Add (subtract):					
Provision for income taxes	(177)	(271)	(163)	(156)	(767)
Interest expense, net	(21,207)	(21,226)	(20,662)	(20,166)	(83,261)
Unrealized (non-cash) (losses) gains on changes in fair value of derivatives	(290)	291	707	(402)	306
Integration related costs	(2,536)	(2,234)	(4,313)	(3,200)	(12,283)
Compensation cost recognized under Restricted Unit Plans	1,638	1,951	2,074	1,727	7,390
(Gain) loss on disposal of property, plant and equipment, net	(237)	(282)	179	(181)	(521)
Changes in working capital and other assets and liabilities	(90,738)	(168,272)	136,738	98,457	(23,815)
Net cash provided by operating activities	\$ 4,161	\$ 16,226	\$ 124,583	\$ 80,581	\$ 225,551

Table of Contents

Fiscal 2013	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Net income (loss)	\$ 57,620	\$ 129,484	\$ (45,187)	\$ (63,119)	\$ 78,798
Add:					
Provision for income taxes	132	150	148	177	607
Interest expense, net	24,556	24,343	24,385	22,143	95,427
Depreciation and amortization	30,527	31,316	31,504	37,037	130,384
EBITDA	112,835	185,293	10,850	(3,762)	305,216
Unrealized (non-cash) losses (gains) on changes in fair value of derivatives	3,614	2,646	73	(2,015)	4,318
Integration related costs	1,024	2,729	2,248	4,574	10,575
Loss on debt extinguishment				2,144	2,144
Multi-employer pension plan withdrawal charge			6,000	1,000	7,000
Adjusted EBITDA	117,473	190,668	19,171	1,941	329,253
Add (subtract):					
Provision for income taxes	(132)	(150)	(148)	(177)	(607)
Interest expense, net	(24,556)	(24,343)	(24,385)	(22,143)	(95,427)
Unrealized (non-cash) (losses) gains on changes in fair value of derivatives	(3,614)	(2,646)	(73)	2,015	(4,318)
Integration related costs	(1,024)	(2,729)	(2,248)	(4,574)	(10,575)
Multi-employer pension plan withdrawal charge			(6,000)	(1,000)	(7,000)
Compensation cost recognized under Restricted Unit Plans	1,240	1,173	840	635	3,888
Gain on disposal of property, plant and equipment, net	(2,267)	(323)	(301)	(652)	(3,543)
Changes in working capital and other assets and liabilities	(25,583)	(89,224)	79,649	37,793	2,635
Net cash provided by operating activities	\$ 61,537	\$ 72,426	\$ 66,505	\$ 13,838	\$ 214,306

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

The Partnership maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act)) that are designed to provide reasonable assurance that information required to be disclosed in the Partnership's filings under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC and that such information is

accumulated and communicated to the Partnership's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Before filing this Annual Report, the Partnership completed an evaluation under the supervision and with the participation of the Partnership's management, including the Partnership's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Partnership's disclosure controls and procedures as of September 27, 2014. Based on this evaluation, the Partnership's principal executive officer and principal financial officer concluded that the Partnership's disclosure controls and procedures were effective at the reasonable assurance level as of September 27, 2014.

Table of Contents

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended September 27, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management's Report on Internal Control over Financial Reporting is included below.

Management's Report on Internal Control Over Financial Reporting

Management of the Partnership is responsible for establishing and maintaining adequate internal control over financial reporting. The Partnership's internal control over financial reporting is designed to provide reasonable assurance as to the reliability of the Partnership's financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Partnership's management has assessed the effectiveness of the Partnership's internal control over financial reporting as of September 27, 2014. In making this assessment, the Partnership used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (1992). These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. The Partnership's assessment included documenting, evaluating and testing the design and operating effectiveness of its internal control over financial reporting.

Based on the Partnership's assessment, as described above, management has concluded that, as of September 27, 2014, the Partnership's internal control over financial reporting was effective.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, issued an attestation report dated November 26, 2014 on the effectiveness of our internal control over financial reporting, which is included herein.

ITEM 9B. OTHER INFORMATION

None.

Table of Contents

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND PARTNERSHIP GOVERNANCE

Partnership Management

Our Partnership Agreement provides that all management powers over our business and affairs are exclusively vested in our Board of Supervisors and, subject to the direction of the Board of Supervisors, our officers. No Unitholder has any management power over our business and affairs or actual or apparent authority to enter into contracts on behalf of or otherwise to bind us. Under the current Partnership Agreement, members of our Board of Supervisors are elected by the Unitholders for three-year terms. Messrs. Harold R. Logan, Jr., John D. Collins, Dudley C. Mecum, John Hoyt Stookey and Ms. Jane Swift were elected to their current three-year terms at the Tri-Annual Meeting of our Unitholders convened on May 1, 2012 and then reconvened on May 14, 2012.

At its regular meeting on November 13, 2012, our Board of Supervisors, pursuant to authority granted to the Board under the Partnership Agreement, increased the size of the Board from six (6) Supervisors to eight (8) Supervisors. At the same meeting and again pursuant to authority granted to the Board under the Partnership Agreement, the Board elected Messrs. Lawrence C. Caldwell and Matthew J. Chanin to fill the two vacancies on the Board created by the increase in size of the Board, effective immediately. Messrs. Caldwell and Chanin were each elected for a term due to expire at the next Tri-Annual Meeting of our Unitholders, currently scheduled for Spring 2015.

At its meeting on November 12, 2014, and upon the recommendation of its Nominating/Governance Committee, our Board of Supervisors elected Michael A. Stivala, our current President and Chief Executive Officer, to fill the vacancy on the Board created by the retirement from the Board of Michael J. Dunn, Jr. effective on September 27, 2014, concurrently with Mr. Dunn's retirement as our Chief Executive Officer. Mr. Stivala was elected for a term due to expire at the next Tri-Annual Meeting of our Unitholders, currently scheduled for Spring 2015.

The Audit Committee of our Board of Supervisors has the authority to review, at the request of the Board of Supervisors, specific matters as to which the Board of Supervisors believes there may be a conflict of interest, or which may be required to be disclosed pursuant to Item 404(a) of Regulation S-K adopted by the SEC, in order to determine if the resolution or course of action in respect of such conflict proposed by the Board of Supervisors is fair and reasonable to us. Under the Partnership Agreement, any matter that receives the Special Approval of the Audit Committee (i.e., approval by a majority of the members of the Audit Committee) is conclusively deemed to be fair and reasonable to us, is deemed approved by all of our partners and shall not constitute a breach of the Partnership Agreement or any duty stated or implied by law or equity as long as the material facts known to the party having the potential conflict of interest regarding that matter were disclosed to the Audit Committee at the time it gave Special Approval. The Audit Committee also assists the Board of Supervisors in fulfilling its oversight responsibilities relating to (i) integrity of the Partnership's financial statements and internal control over financial reporting; (ii) the Partnership's compliance with applicable laws, regulations and its code of conduct; (iii) independence and qualifications of the independent registered public accounting firm; (iv) performance of the internal audit function and the independent registered public accounting firm; and (v) accounting complaints.

Until July 22, 2014, the Audit Committee consisted of all seven of our non-employee Supervisors (namely, Messrs. Logan, Stookey, Mecum, Collins, Caldwell, Chanin and Ms. Swift), all of whom had been determined by our Board of Supervisors to be independent and (with the exception of Ms. Swift) audit committee financial experts within the meaning of the NYSE corporate governance listing standards and in accordance with Rule 10A-3 of the

Exchange Act, Item 407 of Regulation S-K and the Partnership's criteria for Supervisor independence (as discussed in Item 13, herein) as of the date of this Annual Report. At its meeting on July 22, 2014, the Board reduced the size of the Audit Committee to four Messrs. Caldwell, Collins, Mecum and Ms. Swift and reaffirmed the above determinations with respect to those four members.

Table of Contents

Mr. Logan, Chairman of the Board, presides at the regularly scheduled executive sessions of the non-management Supervisors, all of whom are independent, held as part of the regular meetings of the Board of Supervisors. Investors and other parties interested in communicating directly with the non-management Supervisors as a group may do so by writing to the Non-Management Members of the Board of Supervisors, c/o Company Secretary, Suburban Propane Partners, L.P., P.O. Box 206, Whippany, New Jersey 07981-0206

Board of Supervisors and Executive Officers of the Partnership

The following table sets forth certain information with respect to the members of the Board of Supervisors and our executive officers as of November 26, 2014. Officers are appointed by the Board of Supervisors for one-year terms and Supervisors are elected by the Unitholders for three-year terms.

Name	Age	Position With the Partnership
Michael A. Stivala	45	President and Chief Executive Officer; Member of the Board of Supervisors
Mark Wienberg	52	Chief Operating Officer
Michael A. Kuglin	44	Chief Financial Officer & Chief Accounting Officer
Paul Abel	61	Senior Vice President, General Counsel and Secretary
Steven C. Boyd	50	Senior Vice President Field Operations
Douglas T. Brinkworth	53	Senior Vice President Product Supply, Purchasing & Logistics
Michael M. Keating	61	Senior Vice President
Neil E. Scanlon	49	Senior Vice President Information Services
A. Davin D. Ambrosio	50	Vice President and Treasurer
Sandra N. Zwickel	48	Vice President Human Resources
Daniel S. Bloomstein	41	Controller
Harold R. Logan, Jr.	70	Member of the Board of Supervisors (Chairman)
John Hoyt Stookey	84	Member of the Board of Supervisors (Chairman of the Compensation Committee)
Dudley C. Mecum	79	Member of the Board of Supervisors
John D. Collins	76	Member of the Board of Supervisors (Chairman of the Audit Committee)
Jane Swift	49	Member of the Board of Supervisors
Lawrence C. Caldwell	68	Member of the Board of Supervisors
Matthew J. Chanin	60	Member of the Board of Supervisors

Mr. Stivala has served as our President since April 2014 and as our Chief Executive Officer since September 2014. Mr. Stivala has served as a Supervisor since November 2014. From November 2009 until March 2014 he was our Chief Financial Officer, and, before that, our Chief Financial Officer and Chief Accounting Officer since October 2007. Prior to that he was our Controller and Chief Accounting Officer since May 2005 and Controller since December 2001. Before joining the Partnership, he held several positions with PricewaterhouseCoopers LLP, an international accounting firm, most recently as Senior Manager in the Assurance practice.

Mr. Stivala's qualifications to sit on our Board include his thirteen years of experience in the propane industry, including as our current President and Chief Executive Officer and, before that, as our Chief Financial Officer for almost 7 years, which day to day leadership roles have provided him with intimate knowledge of our operations.

Mr. Wienberg has served as our Chief Operating Officer since April 2014 and before that was our Vice President Operational Support and Analysis (formerly Vice President Operational Planning) since October 2007. Prior to that he served as our Managing Director, Financial Planning and Analysis from October 2003 to October 2007 and

as Director, Financial Planning and Analysis from July 2001 to October 2003. Prior to joining the Partnership, Mr. Wienberg was Assistant Vice President Finance of International Home Foods Corp., a consumer products manufacturer.

Table of Contents

Mr. Kuglin has served as our Chief Financial Officer & Chief Accounting Officer since September 2014 and was our Vice President Finance and Chief Accounting Officer from April 2014 through September 2014. Prior to that he served as our Vice President and Chief Accounting Officer since November 2011, our Controller and Chief Accounting Officer since November 2009 and our Controller since October 2007. For the eight years prior to joining the Partnership he held several financial and managerial positions with Alcatel-Lucent, a global communications solutions provider. Prior to Alcatel-Lucent, Mr. Kuglin held several positions with the international accounting firm PricewaterhouseCoopers LLP, most recently Manager in the Assurance practice. Mr. Kuglin is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

Mr. Abel has served as our General Counsel and Secretary since June 2006, was additionally made a Vice President in October 2007 and a Senior Vice President in April 2014. Prior to joining the Partnership, Mr. Abel served as senior in-house legal counsel (including as a General Counsel) for several technology companies.

Mr. Boyd has served as our Senior Vice President Field Operations since April 2014; previously he was our Vice President Field Operations (formerly Vice President Operations) since October 2008. Prior to that he was our Southeast and Western Area Vice President since March 2007, Managing Director Area Operations since November 2003 and Regional Manager Northern California since May 1997. Mr. Boyd held various managerial positions with predecessors of the Partnership from 1986 through 1996.

Mr. Brinkworth has served as our Senior Vice President Product Supply, Purchasing & Logistics since April 2014 and was previously our Vice President Product Supply (formerly Vice President Supply) since May 2005. Mr. Brinkworth joined the Partnership in April 1997 after a nine year career with Goldman Sachs and, since joining the Partnership, has served in various positions in the product supply area.

Mr. Keating has served as our Senior Vice President since October 2014 and before that was our Senior Vice President Administration since July 2009. From July 1996 to that date he was our Vice President Human Resources and Administration. He previously held senior human resource positions at Hanson Industries (the United States management division of Hanson plc, a global diversified industrial conglomerate) and Quantum Chemical Corporation (Quantum), a predecessor of the Partnership.

Mr. Scanlon became our Senior Vice President Information Services in April 2014, after serving as our Vice President Information Services since November 2008. Prior to that he served as our Assistant Vice President Information Services since November 2007, Managing Director Information Services from November 2002 to November 2007 and Director Information Services from April 1997 until November 2002. Prior to joining the Partnership, Mr. Scanlon spent several years with JP Morgan & Co., most recently as Vice President Corporate Systems and earlier held several positions with Andersen Consulting, an international systems consulting firm, most recently as Manager.

Mr. D Ambrosio has served as our Treasurer since November 2002 and was additionally made a Vice President in October 2007. He served as our Assistant Treasurer from October 2000 to November 2002 and as Director of Treasury Services from January 1998 to October 2000. Mr. D Ambrosio joined the Partnership in May 1996 after ten years in the commercial banking industry.

Ms. Zwickel has served as our Vice President Human Resources since November 2013. Prior to that, she was our Assistant Vice President Human Resources since April 2011 and earlier held several roles in the Partnership's Legal Department (including Assistant General Counsel from October 2009 to April 2011 and Counsel from October 2002 to October 2009), where she was responsible for, among other things, providing legal counsel on employment issues. Ms. Zwickel joined the Partnership in June 1999 after eight years in the private practice of law.

Mr. Bloomstein joined the Partnership as its Controller in April 2014. For the ten years prior to joining the Partnership, he held several executive financial and accounting positions with The Access Group, a network of professional services companies, and with Dow Jones & Company, Inc., a global news and financial information company. Mr. Bloomstein started his career with the international accounting firm PricewaterhouseCoopers LLP, working his way to the level of Manager in the Assurance/Business Advisory Services practice. Mr. Bloomstein is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

Table of Contents

Mr. Logan has served as a Supervisor since March 1996 and was elected as Chairman of the Board of Supervisors in January 2007. Mr. Logan is a Co-Founder and, from 2006 to the present has been serving as a Director, of Basic Materials and Services LLC, an investment company that has invested in companies that provide specialized infrastructure services and materials for the pipeline construction industry and the sand/silica industry. From 2003 to September 2006, Mr. Logan was a Director and Chairman of the Finance Committee of the Board of Directors of TransMontaigne Inc., which provided logistical services (i.e. pipeline, terminaling and marketing) to producers and end-users of refined petroleum products. From 1995 to 2002, Mr. Logan was Executive Vice President/Finance, Treasurer and a Director of TransMontaigne Inc. From 1987 to 1995, Mr. Logan served as Senior Vice President Finance and a Director of Associated Natural Gas Corporation, an independent gatherer and marketer of natural gas, natural gas liquids and crude oil. Mr. Logan is also a Director of Cimarex Energy Co., Graphic Packaging Holding Company and Hart Energy Publishing LLP.

Over the past forty years, Mr. Logan's education, investment banking/venture capital experience and business/financial management experience have provided him with a comprehensive understanding of business and finance. Most of Mr. Logan's business experience has been in the energy industry, both in investment banking and as a senior financial officer and director of publicly-owned energy companies. Mr. Logan's expertise and experience have been relevant to his responsibilities of providing oversight and advice to the managements of public companies, and is of particular benefit in his role as our Chairman. Since 1996, Mr. Logan has been a director of nine public companies and has served on audit, compensation and governance committees.

Mr. Stookey has served as a Supervisor since March 1996. He was Chairman of the Board of Supervisors from March 1996 through January 2007. From 1986 until September 1993, he was the Chairman, President and Chief Executive Officer of Quantum. He served as non-executive Chairman and a Director of Quantum from its acquisition by Hanson plc in September 1993 until October 1995, at which time he retired. Since then, Mr. Stookey has served as a trustee of a number of non-profit organizations, including founding and serving as non-executive Chairman of Per Scholas Inc. (a non-profit organization dedicated to training inner city individuals to become computer and software technicians), The Berkshire Choral Festival and Landmark Volunteers and also serves on the Board of Directors of The Clark Foundation and The Robert Sterling Clark Foundation and as a Life Trustee of the Boston Symphony Orchestra.

Mr. Stookey's qualifications to sit on our Board include his extensive experience as Chief Executive Officer of four corporations (including a predecessor of the Partnership) and his many years of service as a director of publicly-owned corporations and non-profit organizations.

Mr. Mecum has served as a Supervisor since June 1996. He was a Managing Director of Capricorn Holdings, LLC (a sponsor of and investor in leveraged buyouts) from 1997 to 2011 and a partner of G.L. Ohrstrom & Co. (a sponsor of and investor in leveraged buyouts) from 1989 to 1996.

Mr. Mecum's qualifications to sit on our Board include his 20 years in public accounting, rising to the level of Vice Chairman of KPMG LLP, a public accounting firm, his service as Assistant Secretary of the Army for Installations and Logistics and his fifteen years of service overseeing or managing various companies. Mr. Mecum has over twenty years of service as a director of various publicly-owned companies, including, until 2007, Citigroup, Inc.

Mr. Collins has served as a Supervisor since April 2007. He served with KPMG LLP, an international accounting firm, from 1962 until 2000, most recently as senior audit partner of its New York office. He has served as a United States representative on the International Auditing Procedures Committee, a committee of international accountants responsible for establishing international auditing standards. Until recently, Mr. Collins was a Director of Montpelier Re, Columbia Atlantic Funds and Mrs. Fields Original Cookies, Inc.

Mr. Collins' qualifications to sit on our Board, and serve as Chairman of its Audit Committee, include his 40 years of experience in public accounting, including 31 years as a partner supervising the audits of public companies. Mr. Collins has served on a number of AICPA and international accounting and auditing standards bodies.

Table of Contents

Ms. Swift has served as a Supervisor since April 2007. She is currently the CEO of Middlebury Interactive Languages, LLC, a marketer of world language products. From 2010 through July 2011, Ms. Swift served as Senior Vice President ConnectEDU Inc., a private education technology company. In 2007, she founded WNP Consulting, LLC, a provider of expert advice and guidance to early stage education companies. From 2003 to 2006 she was a General Partner at Arcadia Partners, a venture capital firm focused on the education industry. She has previously served on the boards of K12, Inc., Animated Speech Company and The Young Writers Project, and currently serves on the boards of Sally Ride Science Inc. and several not-for-profit boards, including the National Alliance for Public Charter Schools. Ms. Swift is also a Trustee for Champlain College. Prior to joining Arcadia, Ms. Swift served for fifteen years in Massachusetts state government, becoming Massachusetts' first woman governor in 2001.

Ms. Swift's qualifications to sit on our Board include her strong skills in public policy and government relations and her extensive knowledge of regulatory matters arising from her fifteen years in state government.

Mr. Caldwell has served as a Supervisor since November 2012. He was a Co-Founder of New Canaan Investments, Inc. (NCI), a private equity investment firm, where he was one of three senior officers of the firm from 1988 to 2005. NCI was an active fix and build investor in packaging, chemicals, and automotive components companies. Mr. Caldwell held a number of board directorships and senior management positions in these companies until he retired in 2005. The largest of these companies was Kerr Group, Inc., a plastic closure and bottle company where Mr. Caldwell served as Director for eight years and Chief Financial Officer for six years. From 1985 to 1988, Mr. Caldwell was head of acquisitions for Moore McCormack Resources, Inc., an oil and gas exploration, shipping, and construction materials company. Mr. Caldwell is currently a director of Magnuson Products, LLC, a private company which manufactures specialty engine components for automotive original equipment manufacturers and aftermarket. Mr. Caldwell also serves on the Board of Trustees and as Chairman of the Investment and Finance Committee of Historic Deerfield, and on the Board of Directors and as Chairman of both the Finance and Strategic Planning Committees of the Leventhal Map Center; both of which non-profit institutions focus on enriching educational programs for K-12 children locally and nationwide.

Mr. Caldwell's qualifications to sit on our Board include over forty years of successful investing in and managing of a broad range of public and private businesses in a number of different industries. This experience has encompassed both turnaround situations, and the building of companies through internal growth and acquisitions.

Mr. Chanin has served as a Supervisor since November 2012. He was Senior Managing Director of Prudential Investment Management, a subsidiary of Prudential Financial, Inc., from 1996 until his retirement in January 2012. He headed the firm's private fixed income business, chaired an internal committee responsible for strategic investing and was a principal in Prudential Capital Partners, the firm's mezzanine investment business. He currently serves as a Director of three private companies that are in Prudential Capital Partners funds' portfolios, and provides consulting services to Prudential and one other client.

Mr. Chanin's qualifications to sit on our Board include 35 years of investment experience with a focus on highly structured private placements in companies in a broad range of industries, with a particular focus on energy companies. He has previously served on the audit committee of a public company board and is currently a member of the audit committee for a private company board. Mr. Chanin has earned an MBA and is a Chartered Financial Analyst.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our Supervisors, executive officers and holders of ten percent or more of our Common Units to file initial reports of ownership and reports of changes in ownership of our Common Units with

the SEC. Supervisors, executive officers and ten percent Unitholders are required to furnish the Partnership with copies of all Section 16(a) forms that they file. Based on a review of these filings, we believe that all such filings were timely made during fiscal year 2014.

Codes of Ethics and of Business Conduct

We have adopted a Code of Ethics that applies to our principal executive officer, principal financial officer and principal accounting officer, and a Code of Business Conduct that applies to all of our employees, officers and Supervisors. A copy of our Code of Ethics and our Code of Business Conduct is available without charge from our

Table of Contents

website at www.suburbanpropane.com or upon written request directed to: Suburban Propane Partners, L.P., Investor Relations, P.O. Box 206, Whippany, New Jersey 07981-0206. Any amendments to, or waivers from, provisions of our Code of Ethics or our Code of Business Conduct that apply to our principal executive officer, principal financial officer and principal accounting officer will be posted on our website.

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines and Principles in accordance with the NYSE corporate governance listing standards in effect as of the date of this Annual Report. In addition, we have adopted certain Corporate Governance Policies, including an Equity Holding Policy for Supervisors and Executives and an Incentive Compensation Recoupment Policy. A copy of our Corporate Governance Guidelines and Principles, as well as a copy of the Corporate Governance Policies, is available without charge from our website at www.suburbanpropane.com or upon written request directed to: Suburban Propane Partners, L.P., Investor Relations, P.O. Box 206, Whippany, New Jersey 07981-0206.

Audit Committee Charter

We have adopted a written Audit Committee Charter in accordance with the NYSE corporate governance listing standards in effect as of the date of this Annual Report. The Audit Committee Charter is reviewed periodically to ensure that it meets all applicable legal and NYSE listing requirements. A copy of our Audit Committee Charter is available without charge from our website at www.suburbanpropane.com or upon written request directed to: Suburban Propane Partners, L.P., Investor Relations, P.O. Box 206, Whippany, New Jersey 07981-0206.

Compensation Committee Charter

Until July 22, 2014, all seven Supervisors who are not officers or employees of the Partnership or its subsidiaries (namely, Messrs. Logan, Stookey, Mecum, Collins, Caldwell, Chanin and Ms. Swift) served on the Compensation Committee. The Board of Supervisors had determined that all seven members of the Compensation Committee are independent. At its meeting on July 22, 2014, the Board reduced the size of the Compensation Committee to three Messrs. Chanin, Logan and Stookey and reaffirmed the above determination with respect to those three members.

We have adopted a Compensation Committee Charter in accordance with the NYSE corporate governance listing standards in effect as of the date of this Annual Report. A copy of our Compensation Committee Charter is available without charge from our website at www.suburbanpropane.com or upon written request directed to: Suburban Propane Partners, L.P., Investor Relations, P.O. Box 206, Whippany, New Jersey 07981-0206.

During fiscal 2014, the Compensation Committee independently retained Towers Watson & Co. (Towers Watson), a human resources consulting firm, to assist the Compensation Committee in developing competitive compensation packages for those executive officers identified by the Compensation Committee as our senior core executive officers pursuant to a succession plan approved by the Board of Supervisors. See Item 11 below.

Nominating/Governance Committee Charter

We have adopted a written Nominating/Governance Committee Charter. A copy of our Nominating/Governance Committee Charter is available without charge from our website at www.suburbanpropane.com or upon written request directed to: Suburban Propane Partners, L.P., Investor Relations, P.O. Box 206, Whippany, New Jersey 07981-0206.

NYSE Annual CEO Certification

The NYSE requires the Chief Executive Officer of each listed company to submit a certification indicating that the company is not in violation of the Corporate Governance listing standards of the NYSE on an annual basis. Our Chief Executive Officer submits his Annual CEO Certification to the NYSE each December. In December 2013, our then Chief Executive Officer, Michael J. Dunn, Jr., submitted his Annual CEO Certification to the NYSE without qualification.

Table of Contents

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis explains our executive compensation philosophy, policies and practices with respect to the following executive officers of the Partnership, to whom we refer to as our named executive officers: Mr. Dunn, our former Chief Executive Officer (who held the position of President and Chief Executive Officer until March 31, 2014, and the position of Chief Executive Officer through September 27, 2014); Mr. Stivala, our current President and Chief Executive Officer (who held the position of Chief Financial Officer until March 31, 2014, and the position of President from April 1, 2014 through September 27, 2014); Mr. Kuglin, our current Chief Financial Officer and Chief Accounting Officer (who held the position of Vice President and Chief Accounting Officer until March 31, 2014, and the position of Vice President Finance and Chief Accounting Officer, a position that required him to act in a manner identical to that of a Chief Financial Officer, from April 1, 2014 through September 27, 2014); and our three other most highly compensated executive officers: Mr. Wienberg, our Chief Operating Officer; Mr. Boyd, our Senior Vice President Field Operations; and Mr. Brinkworth, our Senior Vice President Product Supply, Purchasing & Logistics.

In accordance with a management succession plan developed by the Compensation Committee of the Partnership's Board of Supervisors, which we hereafter refer to as the Committee, in close collaboration with Mr. Dunn, Mr. Dunn retired at the conclusion of fiscal 2014.

Executive Compensation Philosophy and Components

The objectives of our executive compensation program are as follows:

The attraction and retention of talented executives who have the skills and experience required to achieve our goals; and

The alignment of the short-term and long-term interests of our executive officers with the short-term and long-term interests of our Unitholders.

We accomplish these objectives by providing our executives with compensation packages that combine various components that are specifically linked to either short-term or long-term performance measures. Therefore, our executive compensation packages are designed to achieve our overall goal of sustainable, profitable growth by rewarding our executive officers for behaviors that facilitate our achievement of this goal.

The principal components of the compensation we provide to our named executive officers are as follows:

Base salary;

Cash incentives paid under a performance-based annual bonus plan;

Long-Term Incentive Plan awards; and

Awards of restricted units under the Restricted Unit Plan.

We align the short-term and long-term interests of our executive officers with the short-term and long-term interests of our Unitholders by:

Providing our executive officers with an annual incentive target that encourages them to achieve or exceed targeted financial results and operating performance for the fiscal year;

Providing a long-term incentive plan that encourages our executive officers to implement activities and practices conducive to sustainable, profitable growth; and

Providing our executive officers with restricted units in order to encourage the retention of the participating executive officers, while simultaneously encouraging behaviors conducive to the long-term appreciation of our Common Units.

Table of Contents

Establishing Executive Compensation

The Committee is responsible for overseeing our executive compensation program. In accordance with its charter, available on our website at www.suburbanpropane.com, the Committee ensures that the compensation packages provided to our executive officers are designed in accordance with our compensation philosophy. The Committee reviews and approves the compensation packages of our managing directors, assistant vice presidents, vice presidents, senior vice presidents, and our named executive officers.

The November 13, 2013 Compensation Committee Meeting

As in past fiscal years, our Senior Vice President Administration (now Senior Vice President) prepared a comprehensive analysis of each executive officer's past and current compensation to assist the Committee in the assessment and determination of executive compensation packages for fiscal 2014. The Committee considered a number of factors in establishing the fiscal 2014 executive compensation packages, including, but not limited to, experience, scope of responsibility and individual performance. The relative importance assigned to each of these factors by the Committee may differ from executive to executive and year to year. In addition, as part of the Committee's annual review of each executive officer's total compensation package, the Committee was provided with benchmarking data for comparison. This benchmarking data is just one of a number of factors that was considered by the Committee, but was not necessarily the most persuasive factor.

The benchmarking data provided to the Committee for fiscal 2014 was derived from the Mercer Human Resource Consulting, Inc. (Mercer) Benchmark Database containing information obtained from surveys of over 3,035 organizations and approximately 1,224 positions which may or may not include similarly-sized national propane marketers. The use of the Mercer database provides a broad base of compensation benchmarking information for companies of a size similar to the Partnership.

In making their decisions regarding executive compensation packages for fiscal 2014, for executive officers currently below the level of senior vice president, the members of the Committee reviewed the total cash compensation opportunities that were provided to each member of this subset of our executive officers (none of whom are our named executive officers) during the previous completed fiscal year. Total cash compensation opportunity consists of base salary, an annual cash bonus, and Long-Term Incentive Plan awards. The Committee then compared these officers' total cash compensation opportunities to the total mean cash compensation opportunities for parallel positions in the Mercer database. By focusing on total cash compensation opportunity as a whole, instead of on single components of compensation such as base salary, when it met on November 13, 2013, the Committee created fiscal 2014 compensation packages for this subset of our executive officers that emphasized the performance-based components of compensation.

As in prior years, the Committee did not base its benchmarking solely on a peer group of other propane marketers. The Committee adopted this approach because it believes that the proximity of our headquarters to New York City and the need to realistically compete for skilled executives in an environment shared by numerous other enterprises that seek similarly skilled employees requires a broader review of the market. The Committee chooses not to base its benchmarking on the compensation practices of other propane marketers due to the fact that the other, similarly-sized propane marketers compete for executives in vastly different economic environments.

In connection with succession planning, the Committee unanimously decided to engage the services of Towers Watson & Co. (Towers Watson), a human resources consulting firm, for assistance in developing competitive compensation packages for those executive officers identified by the Committee as our senior level executive officers (i.e., those executives who are currently at or above the level of senior vice president). The Committee agreed that it

would defer making promotion-related decisions (with the notable exception of the promotion of Mr. Stivala discussed below) and compensation-related decisions relative to our senior core executive officers until its January 22, 2014 meeting, by which time it was contemplated that Towers Watson would have completed a study of the Partnership, the executive team, and our past compensation practices.

Table of Contents

In response to Mr. Dunn's having informed the committee that he intended to retire at the end of fiscal 2014, the Committee promoted Mr. Stivala to the position of President (effective April 1, 2014) at its November 13, 2013 meeting. For Mr. Stivala and for those whom the Committee identified as our senior level executive officers (currently our Chief Operating Officer, our Chief Financial Officer and Chief Accounting Officer, and our Senior Vice Presidents), the Committee decided to postpone establishing fiscal 2014 compensation-related adjustments until after the Committee was presented with recommendations from Towers Watson.

The January 22, 2014 Compensation Committee Meeting

After completing a study of the Partnership and the responsibilities that had already been and were to be assumed by our senior level executive officers, a principal of Towers Watson provided the Committee with a presentation that included compensation recommendations for this group of executives. In accordance with the recommendations of Towers Watson, the Committee established fiscal year 2014 compensation packages for our President (who is currently our President and Chief Executive Officer), our Chief Operating Officer, our Senior Vice Presidents, and our Vice President Finance and Chief Accounting Officer (who is currently our Chief Financial Officer and Chief Accounting Officer). The compensation packages established at this meeting became effective on April 1, 2014, the effective date on which Mr. Stivala was promoted to the position of President, Mr. Kuglin was promoted to the position of Vice President Finance and Chief Accounting Officer, Mr. Wienberg was promoted to Chief Operating Officer, Mr. Boyd was promoted to the position of Senior Vice President Field Operations, and Mr. Brinkworth was promoted to the position of Senior Vice President Product Supply, Purchasing & Logistics.

The July 22, 2014 Compensation Committee Meeting

Continuing its preparation for Mr. Dunn's retirement at the conclusion of fiscal 2014, the Committee approved Mr. Stivala's assumption of the role and title of Chief Executive Officer in addition to his role as President. Because of the April 1, 2014 adjustments to Mr. Stivala's overall compensation, the Committee chose not to adjust Mr. Stivala's compensation at this time. This promotion became effective on September 28, 2014.

In addition, the Committee approved the promotion of Mr. Kuglin to Chief Financial Officer and Chief Accounting Officer. This promotion became effective on September 28, 2014. In establishing Mr. Kuglin's compensation for this position, the Committee relied on the same Towers Watson study discussed above.

As previously reported, at their fiscal 2012 Tri-Annual Meeting, our Unitholders overwhelmingly approved the advisory Say-on-Pay resolution required by Section 14A of the Exchange Act. As a result, the Committee determined that no major revisions of its practices are required; however, the Committee has, and will continue to, periodically evaluate its compensation practices for possible improvement.

Role of Executive Officers and the Compensation Committee in the Compensation Process

The Committee establishes and enforces our general compensation philosophy in consultation with our President and Chief Executive Officer. The role of our President and Chief Executive Officer in the executive compensation process is to recommend individual pay adjustments for the executive officers, other than himself, to the Committee based on market conditions, our performance, and individual performance. With the assistance of our Senior Vice President Administration, our President and Chief Executive Officer presents the Committee with information comparing each executive officer's compensation to the mean compensation figures provided in the Mercer database.

Among other duties, the Committee has overall responsibility for:

Reviewing and approving the compensation of our President and Chief Executive Officer, our Chief Operating Officer, our Chief Financial Officer, and our other executive officers;

Reporting to the Board of Supervisors any and all decisions regarding compensation changes for our President and Chief Executive Officer and our other executive officers;

Table of Contents

Evaluating and approving our annual cash bonus plan, long-term incentive plan, and grants under our Restricted Unit Plans, as well as all other executive compensation policies and programs;

Administering and interpreting the compensation plans that constitute each component of our executive officers' compensation packages; and

Engaging consultants, when appropriate, to provide independent, third-party advice on executive officer-related compensation.

Our sole use of the Mercer database was to provide the Committee with benchmarking data. Therefore, prior to the November 13, 2013 Committee meeting, neither our President and Chief Executive Officer nor our Senior Vice President Administration met with representatives from Mercer. The information provided by Mercer was derived from a proprietary database maintained by Mercer and, as such, there was no formal consultancy role played by them.

In preparation for its January 22, 2014 Committee meeting, the Committee directed Mr. Dunn, Mr. Stivala, Mr. Kuglin, Mr. Wienberg, and our Senior Vice President Administration to meet with principals of Towers Watson to discuss the then current responsibilities of our senior level executives and their thoughts on the future responsibilities of these executives in light of the Committee's succession planning efforts. It was from these interviews with our senior executive officers that the principals of Towers Watson developed their recommendations regarding compensation of our senior level executive team.

Allocation Among Components

Under our compensation structure, the mix of base salary, cash bonus and long-term compensation provided to each executive officer varies depending on his or her position. The base salary for each executive officer is the only fixed component of compensation. All other cash compensation, including annual cash bonuses and long-term incentive compensation, is variable in nature as it is dependent upon achievement of certain performance measures. The following table summarizes the components as percentages of each named executive officer's total cash compensation opportunity for the first six months of fiscal 2014 (i.e., October 2013 through March 2014). For this period, the base salaries and cash bonus targets of our named executive officers remained identical to those in effect for fiscal 2013.

	Base Salary	Cash Bonus Target	Long- Term Incentive
Michael J. Dunn, Jr.	40%	40%	20%
Michael A. Stivala	46%	36%	18%
Michael A. Kuglin	51%	33%	16%
Mark Wienberg	46%	36%	18%
Steven C. Boyd	46%	36%	18%
Douglas T. Brinkworth	46%	36%	18%

The following table summarizes the components as percentages of each named executive officer's total cash compensation opportunity for the second six months of fiscal 2014 (i.e., April 2014 through September 2014).

	Base Salary	Cash Bonus Target	Long- Term Incentive
Michael J. Dunn, Jr.	40%	40%	20%
Michael A. Stivala	44%	44%	12%
Michael A. Kuglin	50%	35%	15%
Mark Wienberg	46%	37%	17%
Steven C. Boyd	46%	37%	17%
Douglas T. Brinkworth	46%	37%	17%

In allocating compensation among these components, we believe that the compensation of our senior level executive officers the executive officers having the greatest ability to influence our performance should be approximately 50% performance-based, while lower levels of management should receive a greater portion of their compensation in base salary. Additionally, our short-term and long-term incentive plans are pay-for-performance compensation plans that do not provide for minimum payments.

Table of Contents**Internal Pay Equity**

In determining the different compensation packages for each of our named executive officers, the Committee takes into consideration a number of factors, including the level of responsibility and influence that each named executive officer has over the affairs of Suburban, individual performance and years of experience in his current position. The relative importance assigned to each of these factors by the Committee may differ from executive to executive. The Committee will also consider the existing level of equity ownership of each of our named executive officers when granting awards under our Restricted Unit Plan (see below for a description of this plan). As a result, different weights may be given to different components of compensation among each of our named executive officers. In addition, as discussed in the section above titled Allocation Among Components, the compensation packages that we provide to our senior level executive officers are, at a minimum, 50% performance-based. In order to align the interests of senior management with the interests of our Unitholders, we consider it requisite to accentuate the performance-based elements of the compensation packages that we provide to these individuals.

Base Salary

Base salaries for the named executive officers and all of our other executive officers, are reviewed and approved annually by the Committee. In order to determine base salary increases, the Committee's practice has been to compare each executive officer's base salary with the corresponding mean salary provided in the Mercer database. The Committee usually determines base salary adjustments, which may be higher or lower than the comparative data, following an assessment of our overall results as well as each executive officer's position, performance and scope of responsibility, while at the same time considering each executive officer's previous total cash compensation opportunities. This year, in order to facilitate the succession planning process, the Committee engaged the services of Towers Watson to make recommendations regarding the compensation packages provided to the executive officers the Committee identified as the Partnership's senior level executive officers. In accordance with a tentative plan of succession discussed by the Committee at its November 13, 2013 meeting, the Committee decided to postpone discussions of base salary adjustments for our senior level executive officers until its January 22, 2014 Committee meeting when the results of the Towers Watson study would be made available.

In accordance with the recommendations contained in the Towers Watson study, the Committee adjusted the base salaries of the named executive officers (with the exception of Mr. Dunn who retired at the conclusion of fiscal 2014). These adjustments became effective on April 1, 2014, the effective date of Mr. Stivala's promotion to President; Mr. Kuglin's promotion to Vice President Finance and Chief Accounting Officer; Mr. Wienberg's promotion to Chief Operating Officer; Mr. Boyd's promotion to Senior Vice President Field Operations; and Mr. Brinkworth's promotion to Senior Vice President Product Supply, Purchasing & Logistics.

Name	Fiscal 2014 Base Salary (Second Six Months of Fiscal Year)	Fiscal 2014 Base Salary (First Six Months of Fiscal Year)	Fiscal 2013 Base Salary
Michael J. Dunn, Jr.	\$ 495,000	\$ 495,000	\$ 495,000
Michael A. Stivala	\$ 425,000	\$ 300,000	\$ 300,000
Michael A. Kuglin	\$ 265,000	\$ 240,000	\$ 240,000
Mark Wienberg	\$ 325,000	\$ 280,000	\$ 280,000
Steven C. Boyd	\$ 315,000	\$ 290,000	\$ 290,000

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Douglas T. Brinkworth	\$	300,000	\$	270,000	\$	270,000
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In the event of a promotion, a significant increase in an executive officer's responsibilities, or a new hire, it is the Committee's practice to review that executive officer's base salary at that time and take such action as the Committee deems warranted.

Table of Contents

At its meeting on July 22, 2014, effective September 28, 2014, the Committee increased Mr. Kuglin's salary to \$275,000, in recognition of his promotion to Chief Financial Officer and Chief Accounting Officer.

At its meeting on November 11, 2014, the Committee did not adjust the base salaries of our named executive officers for fiscal 2015 because their salaries were adjusted on April 1, 2014.

The base salaries paid to the named executive officers in fiscal 2014, fiscal 2013 and fiscal 2012 are reported in the column titled "Salary" in the Summary Compensation Table below.

Annual Cash Bonus Plan

Annual cash bonuses (which fall within the Securities and Exchange Commission's definition of "Non-Equity Incentive Plan Compensation" for the purposes of the Summary Compensation Table and otherwise) are earned by our executive officers in accordance with the objective performance provisions of our annual cash bonus plan.

The terms of our annual cash bonus plan provide for cash payments of a specified percentage of our named executive officers' annual base salaries ("target cash bonus") if, for the fiscal year, actual cash bonus plan EBITDA equals the Partnership's budgeted EBITDA. For purposes of calculating cash bonus plan EBITDA, the Committee customarily adjusts both budgeted and actual EBITDA (as defined in Item 6 in this annual report on Form 10-K) for various items considered to be non-recurring in nature; including, but not limited to, unrealized (non-cash) gains or losses on changes in the fair value of derivative instruments; acquisition-related costs; integration-related costs; multiemployer pension plan withdrawal charges; pension settlement charges; and losses on debt extinguishment. Under the provisions of the annual cash bonus plan in effect for fiscal 2014, our executive officers had the opportunity to earn between 60% and 120% of their target cash bonuses, depending upon the Partnership's EBITDA performance during the fiscal year. No bonuses would be earned during fiscal 2014 if actual cash bonus plan EBITDA were less than 90% of budgeted cash bonus plan EBITDA; additionally, for fiscal 2014, cash bonuses could not exceed 120% of the target cash bonus even if actual cash bonus plan EBITDA were more than 120% of budgeted cash bonus plan EBITDA.

Although our annual cash bonus plan is generally administered in accordance with the provisions of the plan, the Committee may exercise its broad discretionary powers to decrease or increase the annual cash bonus paid to a particular executive officer, upon the recommendation of our President and Chief Executive Officer, or to the executive officers as a group, when the Committee recognizes that an adjustment is warranted. During fiscal 2014, fiscal 2013 and fiscal 2012, no such discretionary adjustments were made to the annual cash bonuses earned by our executives.

For fiscal 2014, our budgeted cash bonus plan EBITDA was \$360.0 million ("Budgeted EBITDA"). Our actual cash bonus plan EBITDA was such that each of our executive officers earned 68% of his or her target cash bonus. The following table provides the fiscal 2014 budgeted cash bonus plan EBITDA targets that were established at the November 13, 2013 Committee meeting:

Hypothetical Fiscal 2014 Cash Bonus Plan EBITDA Results	Hypothetical	Target
(in Millions)	Fiscal	Bonus
	2014	Percentage
	Cash	that
	Bonus	would
	Plan	have

	EBITDA Expressed as a Percentage of Budgeted Cash Bonus Plan EBITDA	been Earned if Actual Cash Bonus Plan EBITDA Equalled the Figure in the First Column
\$432.0	120%	120%
\$396.0	110%	110%
\$360.0⁽¹⁾	100%	100%
\$342.0	95%	90%
\$324.0	90%	60%

(1) Budgeted cash bonus plan EBITDA for fiscal 2014.

Table of Contents

For those named executive officers who were promoted on April 1, 2014 (all of our named executive officers except Mr. Dunn), actual payments earned are equal to one half of what the payment would have been using each named executive officer's base salary and bonus percentage in effect for the first half of fiscal 2014, plus one half of what the payment would have been using each named executive officer's base pay and bonus percentage in effect for the second half of fiscal 2014. The fiscal 2014 target cash bonus percentages for both halves of the year and the blended target cash bonuses established for each named executive officer and the actual cash bonuses earned by each of them during fiscal 2014 are summarized as follows:

Name	2014 Target Cash Bonus as a % of Base Salary (for the First Half of the Fiscal Year)	2014 Target Cash Bonus as a % of Base Salary (for the Second Half of the Fiscal Year)	2014 Target Cash Bonus	2014 Actual Cash Bonus Earned at 68%
Michael J. Dunn, Jr.	100%	100%	\$ 495,000	\$ 336,600
Michael A. Stivala	80%	100%	\$ 332,500	\$ 226,100
Michael A. Kuglin	65%	70%	\$ 170,750	\$ 116,110
Mark Wienberg	80%	80%	\$ 242,000	\$ 164,560
Stephen C. Boyd	80%	80%	\$ 242,000	\$ 164,560
Douglas T. Brinkworth	80%	80%	\$ 228,000	\$ 155,040

For purposes of establishing the cash bonus targets for fiscal 2014, the Committee reviewed and approved our fiscal 2014 budgeted cash bonus plan EBITDA at its November 13, 2013 meeting. The budgeted cash bonus plan EBITDA is developed annually using a bottom-up process factoring in reasonable growth targets from the prior year's performance, while at the same time attempting to reach a balance between a target that is reasonably achievable, yet not assured. As described above, during fiscal 2014, our executive officers had the opportunity to earn between 60% and 120% of their target cash bonuses. Over the past three years, our actual cash bonus plan EBITDA was such that each of our executive officers earned 68%, 60% and 0% of their respective target cash bonus for fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

With the exception of Mr. Kuglin (and Mr. Dunn who has retired), the named executive officers' target cash bonus percentages and target cash bonuses for fiscal 2015 are the same as those for the second half of fiscal 2014. In recognition of his promotion to Chief Financial Officer and Chief Accounting Officer, Mr. Kuglin's fiscal 2015 target cash bonus has been increased to 75% of his base salary. Actual payments for fiscal 2015 under the annual cash bonus plan will depend upon the percentage of the budgeted cash bonus plan EBITDA for fiscal 2015 that is eventually achieved.

In accordance with recommendations from Towers Watson, the Committee modified the terms of our annual cash bonus plan, beginning with fiscal 2015, to provide our executive officers with the opportunity to earn between 50% and 120% of their target cash bonuses, depending upon the Partnership's EBITDA performance during the fiscal year. No bonuses will be earned during fiscal 2015 if actual cash bonus plan EBITDA is less than 85% of budgeted cash bonus plan EBITDA; additionally, for fiscal 2015, cash bonuses cannot exceed 120% of the target cash bonus even if

actual cash bonus plan EBITDA is more than 120% of budgeted cash bonus plan EBITDA.

The bonuses earned by our named executive officers under the annual cash bonus plan for fiscal 2014 and 2013 are reported in the column titled "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table below.

Long-Term Incentive Plan

While the annual cash bonus plan is a pay-for-performance plan that focuses on our short-term financial goals, the Long-Term Incentive Plan, which we hereafter refer to as the "LTIP," is structured as a phantom unit plan that has been designed to motivate our executive officers to focus on our long-term financial goals. Unvested awards are granted at the beginning of each fiscal year as a Committee-approved percentage of each executive officer's salary. Cash payments, if any, are earned and paid at the end of a three-year measurement period, depending on performance.

Table of Contents

The LTIP is designed to:

Align a portion of our executive officers' compensation opportunities with the long-term goals of our Unitholders;

Provide long-term compensation opportunities consistent with market practice;

Reward long-term value creation; and

Provide a retention incentive for our executive officers and other key employees.

LTIP History

At the beginning of fiscal 2003, the Committee adopted the 2003 Long-Term Incentive Plan (the "2003 LTIP") as a principal component of our executive compensation program. At its meeting on November 9, 2011, the Committee adopted the 2013 Long-Term Incentive Plan (the "2013 LTIP") as a replacement for the 2003 Long-Term Incentive Plan, which expired on September 30, 2012. The 2013 LTIP became effective on October 1, 2012; its provisions were essentially identical to the provisions of the 2003 LTIP. In accordance with recommendations from Towers Watson, at its meeting on August 6, 2013, the Committee adopted the 2014 Long-Term Incentive Plan (the "2014 LTIP") as a replacement for the 2013 LTIP. The provisions of the 2014 LTIP govern all LTIP awards granted subsequent to fiscal 2013.

Calculation of LTIP Phantom Units

In accordance with the 2003, 2013, and 2014 LTIP documents, at the beginning of each three-fiscal year measurement period, each executive officer's number of unvested LTIP unit awards is calculated by dividing a predetermined percentage (52% for awards made prior to fiscal 2014 and 50% for all subsequent awards), established by the Committee, of each executive officer's target cash bonus by the average of the closing prices of our Common Units for the twenty days preceding the beginning of the first fiscal year in the measurement period.

The following are the numbers of the unvested LTIP units granted to our named executive officers during fiscal 2014 and fiscal 2013 that will be used to calculate cash payments at the end of each award's respective three-year measurement period (i.e., at the end of fiscal 2016 for the fiscal 2014 award and at the end of fiscal 2015 for the fiscal 2013 award):

	Fiscal 2014 Award	Fiscal 2013 Award
Michael J. Dunn, Jr.	5,404	6,559
Michael A. Stivala	2,620	3,180
Michael A. Kuglin	1,703	2,067
Mark Wienberg	2,445	2,968

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Steven C. Boyd	2,533	3,074
Douglas T. Brinkworth	2,358	2,862

Table of Contents

At its meeting on November 11, 2014, the Committee approved the grant of the following number of unvested LTIP unit awards under the LTIP for the fiscal 2015 award cycle that commenced at the beginning of fiscal 2015 and will conclude at the end of fiscal 2017 that will be used to calculate cash payments at the end of this award's three-year measurement period (i.e., at the end of fiscal 2017).

	Fiscal 2015 Award
Michael A. Stivala	4,770
Michael A. Kuglin	2,315
Mark Wienberg	2,918
Steven C. Boyd	2,828
Douglas T. Brinkworth	2,694

Performance Metrics

The primary difference between the 2003/2013 LTIPs and the 2014 LTIP is the performance metric used to determine whether cash payments have been earned by the participants at the end of an LTIP award cycle's three-year measurement period.

Awards made prior to fiscal 2014 under the 2003 and 2013 LTIPs measure the market performance of our Common Units on the basis of total return to our Unitholders, which we refer to as TRU, during a three-year measurement period commencing on the first day of the fiscal year in which an unvested award was granted and compares our TRU to the TRU of each of the other members of a predetermined peer group, consisting solely of other master limited partnerships, approved by the Committee. The fiscal 2013 LTIP award is the only remaining award subject to this metric.

The following table lists, in alphabetical order, the names and ticker symbols of the peer group used to measure our performance during the three-year measurement period for the fiscal 2013 LTIP award:

Peer Group Member Name	Fiscal 2013 Award Peer Group Ticker Symbol
Atlas Pipeline Partners, L.P.	APL
AmeriGas Partners, L.P.	APU
BreitBurn Energy Partners, L.P.	BBEP
Copano Energy, LLC ⁽¹⁾	CPNO
Enbridge Energy Partners, L.P.	EEP
Ferrellgas Partners, L.P.	FGP
Genesis Energy, L.P.	GEL
Global Partners L.P.	GLP
Inergy Midstream, L.P. ⁽²⁾	NRGM
MarkWest Energy Partners, L.P.	MWE
TC Pipelines, L.P.	TCP

- (1) Copano Energy, LLC was acquired by Kinder Morgan Energy Partners, L.P. on May 1, 2013. For purposes of measuring relative TRU for the fiscal 2013 award, as a result of this event, we have reduced the peer group of this award by one member.
- (2) Inergy Midstream, L.P. merged with Crestwood Midstream Partners LP on October 7, 2013. The combined partnership is named Crestwood Midstream Partners LP and trades under ticker CMLP on the New York Stock Exchange. For purposes of measuring relative TRU for the fiscal 2013 award, as a result of this event, we have reduced the peer group of this award by one member.

The three-year measurement period of the fiscal 2012 award ended simultaneously with the conclusion of fiscal 2014. The TRU for the fiscal 2012 award fell within the lowest quartile; therefore, the participants, including our named executive officers, did not earn cash payments relative to this award.

Subsequent to the Committee's meeting on November 13, 2012, the Committee reconsidered the use of TRU as the performance metric for purposes of the LTIP. As a result, the Committee engaged the services of Towers Watson to review the LTIP's measurement criteria. At the Committee's July 24, 2013 meeting, Towers Watson presented the Committee with a recommendation to replace TRU with a performance metric that measures our average distribution coverage ratio over a three-year measurement period.

Table of Contents

The Committee's decision to replace the 2013 LTIP with the 2014 LTIP was based on its determination that an incentive structure focused on the level of distributable cash flow over a three-year measurement period, which supports the sustainability of the cash distributions to Unitholders and future growth in distributions, is a more meaningful indicator of the Partnership's performance than comparative TRU, and also better aligns management's interests with those of the Unitholders.

As a result of the Committee's adoption of the 2014 LTIP, the earning of cash payments under the 2014 LTIP will be determined based on the level of our distribution coverage ratio over a three-year measurement period (Distribution Coverage Ratio). This ratio will be calculated by dividing our average distributable cash flow generated during an outstanding award's three-year measurement period by a baseline cash flow set on the initial grant date of the award.

The average distributable cash flow is the average of the distributable cash flow for each of the three years in a particular award's three-year measurement period. For purposes of this plan's performance metric, distributable cash flow is equal to LTIP EBITDA for a particular fiscal year less capital expenditures, cash interest expense, and the provision for income taxes for the same fiscal year. For LTIP purposes, LTIP EBITDA is identical to cash bonus plan EBITDA. The average distributable cash flow will be adjusted by the sum of the annual differences between the per-Common Unit annualized distribution rate at the beginning of the three-year measurement period and the actual per-Common Unit distributions paid during each of the three years in an award's three-year measurement period. Baseline cash flow is calculated by multiplying the total number of Common Units outstanding at the beginning of the three-year measurement period by the then per Common Unit annualized distribution rate.

Cash Payments

For awards granted under the 2003 and 2013 LTIP plan documents (i.e., the fiscal 2013 award), at the end of the three-year measurement period, depending on the quartile ranking within which our TRU falls relative to the other members of the peer group, our executive officers, as well as the other participants, all of whom are key employees, will receive a cash payment equal to:

The quantity of the participant's LTIP units multiplied by the average of the closing prices of our Common Units for the twenty days preceding the conclusion of the three-year measurement period;

The quantity of the participant's LTIP units multiplied by the sum of the distributions that would have inured to one of our outstanding Common Units during the three-year measurement period; and

The sum of the products of the two preceding calculations multiplied by: zero if our performance falls within the lowest quartile of the peer group; 50% if our performance falls within the second lowest quartile; 100% if our performance falls within the second highest quartile; and 125% if our performance falls within the top quartile.

For awards granted under the 2014 plan document (the fiscal 2014 award payable, if earned, at the end of fiscal 2016 and the fiscal 2015 award, payable, if earned, at the end of fiscal 2017), at the end of the three-year measurement period, depending on the Distribution Coverage Ratio for that three-year measurement period, our executive officers, as well as the other participants, all of whom are key employees, will receive cash payments equal to:

The quantity of the participant's LTIP units multiplied by the average of the closing prices of our Common Units for the twenty days preceding the conclusion of the three-year measurement period;

The quantity of the participant's LTIP units multiplied by the sum of the distributions that would have inured to one of our outstanding Common Units during the three-year measurement period; and

Table of Contents

The sum of the products of the two preceding calculations multiplied by the applicable percentage corresponding to the Distribution Coverage Ratio illustrated in the following table:

Distribution Coverage Ratio	% of Award Earned
Less than 1.00	00.0%
1.00 (Threshold Performance)	50.0%
1.01	52.5%
1.02	55.0%
1.03	57.5%
1.04	60.0%
1.05	62.5%
1.06	65.0%
1.07	67.5%
1.08	70.0%
1.09	72.5%
1.10	75.0%
1.11	77.5%
1.12	80.0%
1.13	82.5%
1.14	85.0%
1.15	87.5%
1.16	90.0%
1.17	92.5%
1.18	95.0%
1.19	97.5%
1.20 (Target Performance)	100.0%
1.21	101.7%
1.22	103.3%
1.23	105.0%
1.24	106.7%
1.25	108.4%
1.26	110.0%
1.27	111.7%
1.28	113.4%
1.29	115.0%
1.30	116.7%
1.31	118.4%
1.32	120.0%
1.33	121.7%
1.34	123.4%
1.35	125.1%
1.36	126.7%
1.37	128.4%
1.38	130.1%
1.39	131.7%

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1.40	133.4%
1.41	135.1%
1.42	136.7%
1.43	138.4%
1.44	140.1%
1.45	141.8%
1.46	143.4%
1.47	145.1%
1.48	146.8%
1.49	148.4%
1.50 and Higher (Maximum Performance)	150.0%

Table of Contents

Retirement Provision

A retirement-eligible participant's outstanding awards under the LTIP will vest as of the retirement-eligible date, but will remain subject to the same three-year measurement period for purposes of determining the eventual cash payment, if any, at the conclusion of the measurement period.

The grant date values based on the probable outcomes of the awards under the LTIP granted during fiscal 2014, fiscal 2013 and fiscal 2012 (although the final measurement of the fiscal 2012 award resulted in no actual payments to our executive officers) are reported in the column titled "Unit Awards" in the Summary Compensation Table below.

Restricted Unit Plan

We adopted the 2000 Restricted Unit Plan effective November 1, 2000. Upon adoption, this plan authorized the issuance of 487,805 Common Units to our executive officers, managers and other employees and to the members of our Board of Supervisors. On October 17, 2006, following approval by our Unitholders, we adopted amendments to this plan which, among other things, increased the number of Common Units authorized for issuance under this plan by 230,000 for a total of 717,805. As this plan terminated by its terms on October 31, 2010, no future awards can be made under this plan; however such termination will not affect the continued validity of any awards granted under the plan prior to its termination.

At our July 22, 2009 Tri-Annual Meeting, our Unitholders approved our adoption of the 2009 Restricted Unit Plan effective August 1, 2009. Upon adoption, this plan authorized the issuance of 1,200,000 Common Units to our executive officers, managers and other employees and to the members of our Board of Supervisors. The provisions of both restricted unit plans (collectively and individual referred to as the "RUP") are substantially identical. At the conclusion of fiscal 2014, there remained 417,758 restricted units available under the RUP for future awards.

When the Committee authorizes an award of restricted units, the unvested units underlying an award do not provide the grantee with voting rights and do not receive distributions or accrue rights to distributions during the vesting period. Restricted unit awards granted prior to August 6, 2013 normally vest as follows: 25% on each of the third and fourth anniversaries of the grant date and the remaining 50% on the fifth anniversary of the grant date. At its August 6, 2013 meeting, in accordance with recommendations from Towers Watson, the Committee amended the Partnership's 2009 Restricted Unit Plan to revise the normative vesting schedule of awards granted thereafter to one third on each of the first three anniversaries of the award grant date. The Committee retained the ability to deviate, at its discretion, from the normal vesting schedule with respect to particular restricted unit awards. The Committee amended the plan to make its vesting schedule comparable to those of similar plans offered by other companies. Unvested awards are subject to forfeiture in certain circumstances as defined in the applicable RUP document. Upon vesting, restricted units are automatically converted into our Common Units, with full voting rights and rights to receive distributions.

The RUP contains a retirement provision that provides for the vesting (six months and one day after the retirement date of qualifying participants) of unvested awards held by a retiring participant who meets all three of the following conditions on his or her retirement date:

The unvested award has been held by the grantee for at least six months;

The grantee is age 55 or older; and

The grantee has worked for us or one of our predecessors for at least 10 years. All RUP awards are approved by the Committee. Because individual circumstances differ, the Committee has not adopted a formulaic approach to making RUP awards. Although the reasons for granting an award can vary, the objective of granting an award to a recipient is to retain the services of the recipient over the vesting period while, at the same time providing the type of motivation that further aligns the long-term interests of the recipient with the long-term interests of our Unitholders. The reasons for which the Committee grants RUP awards include, but are not limited to, the following:

Table of Contents

To attract skilled and capable candidates to fill vacant positions;

To retain the services of an employee;

To provide an adequate compensation package to accompany an internal promotion; and

To reward outstanding performance.

In determining the quantity of restricted units to grant to executive officers and other key employees, the Committee considers, without limitation:

The executive officer s or key employee s scope of responsibility, performance and contribution to meeting our objectives;

The total cash compensation opportunity provided to the executive officer or key employee for whom the award is being considered;

The value of similar equity awards to executive officers of similarly sized enterprises; and

The current value of a similar quantity of outstanding Common Units.

In addition, in establishing the level of restricted units to grant to our executive officers, the Committee considers the existing level of outstanding unvested RUP awards held by our executive officers.

The Committee generally approves awards under the RUP at its first meeting each fiscal year following the availability of the financial results for the prior fiscal year; however, occasionally the Committee grants awards at other times of the year, particularly when the need arises to grant awards because of promotions and new hires.

At its November 13, 2013 meeting, in order to further align the interests of management with the interests of our Unitholders the Committee approved the following grants to the following named executive officers:

Grant Name	Grant Date	Quantity
Michael A. Stivala	November 15, 2013	5,302
Michael A. Kuglin	November 15, 2013	4,242
Mark Wienberg	November 15, 2013	5,302
Steven C. Boyd	November 15, 2013	5,302
Douglas T. Brinkworth	November 15, 2013	5,302

In determining these fiscal 2014 awards for Mr. Stivala, Mr. Kuglin, Mr. Wienberg, Mr. Boyd and Mr. Brinkworth, the Committee relied upon information provided by the Mercer database to conclude that these awards were necessary to remediate shortfalls perceived by the Committee in the cash compensation opportunities of these named executive

officers, as well as in recognition of their individual achievements throughout fiscal 2013. No award was granted to our Chief Executive Officer at the Committee's November 13, 2013 meeting.

At its January 22, 2014 meeting, in accordance with the recommendations of Towers Watson, in recognition of Mr. Dunn's years of service to the Partnership and in recognition of the promotions of the senior level executive officers, the Committee approved the following grants to the named executive officers:

Grant Name	Grant Date	Quantity
Michael J. Dunn, Jr.	March 1, 2014	17,009
Michael A. Stivala	April 1, 2014	23,885
Michael A. Kuglin	April 1, 2014	11,943
Mark Wienberg	April 1, 2014	11,943
Steven C. Boyd	April 1, 2014	11,943
Douglas T. Brinkworth	April 1, 2014	11,943

Table of Contents

The aggregate grant date fair values of RUP awards made during fiscal 2014, fiscal 2013 and fiscal 2012, computed in accordance with accounting principles generally accepted in the United States of America are reported in the column titled "Unit Awards" in the Summary Compensation Table below.

At its November 11, 2014 meeting, the Committee did not grant any additional RUP awards to our named executive officers because each of these individuals was granted an award on April 1, 2014.