SUBURBAN PROPANE PARTNERS LP
Form 10-K
November 23, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended September 24, 2016

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	22-3410353
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer 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	Name of each exchange on which registered
Common Units	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

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 26, 2016 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 ($30.01 per unit), was approximately $1,823,192,000.

Documents Incorporated by Reference: None Total number of pages (excluding Exhibits): 118

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

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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, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, 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," "expects" or "plans" or the negative or other variatio 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, natural gas and electricity, the impact of the Partnership's hedging and risk management activities, and the adverse impact of price increases on volumes sold as a result of customer conservation;
- 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 climate change, 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;
- The impact of current conditions in the global capital and credit markets, and general economic pressures;
- The operating, legal and regulatory risks the Partnership 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.

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 2016, that we are the third largest retail marketer of propane in the United States, measured by retail gallons sold in the calendar year 2015. As of September 24, 2016, we were serving the energy needs of approximately 1.1 million residential, commercial, industrial and agricultural customers through 675 locations in 41 states with operations principally concentrated in the east and west coast regions of the United States, as well as portions of the midwest region of the United States and Alaska. We sold approximately 414.8 million gallons of propane and 30.9 million gallons of fuel oil and refined fuels to retail customers during the year ended September 24, 2016. 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.

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.

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 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 24, 2016, 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. We will continue to pursue operational efficiencies while staying focused on providing exceptional service to our customer base. Our systems platform is advanced and scalable and we will seek to leverage that technology for enhanced routing, forecasting and customer relationship management.

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.

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.

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 four 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 660 locations in 41 states as of September 24, 2016. Our operations are principally concentrated in the east and west coast regions of the United States, as well as portions of the midwest region of the United States and Alaska. As of September 24, 2016, we serviced approximately 942,000 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.

We sell propane primarily to six customer markets: residential, commercial, industrial (including engine fuel), agricultural, other retail users and wholesale. Approximately 95% of the propane gallons sold by us in fiscal 2016 were to retail customers: 45% to residential customers, 27% to commercial customers, 9% to industrial customers, 5% to agricultural customers and 14% to other retail users. The balance of approximately 5% of the propane gallons sold by us in fiscal 2016 was for risk management activities and wholesale customers. No single customer accounted for 10% or more of our propane revenues during fiscal 2016.

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 typically ranging from 2,400 gallons to 3,500 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 40 oil companies and natural gas processors at approximately 180 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. Such supply shortages and logistics issues were not repeated during fiscal 2015 or fiscal 2016. 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 2017. During fiscal 2016, Crestwood Equity Partners L.P. (“Crestwood”), Targa Liquids Marketing and Trade LLC (“Targa”), Enterprise Products Partners L.P. (“Enterprise”) and Phillips 66 Company (“Phillips”) provided approximately 19%, 14%, 13% and 10% of our total propane purchases, respectively. No other single supplier accounted for more than 10% of our propane purchases in fiscal 2016. 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, Enterprise, Targa or Phillips 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 91% of our total propane purchases were from domestic suppliers in fiscal 2016.

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.

We own and operate a large propane storage facility in Elk Grove, 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 24, 2016, the majority of the storage capacity at our facility in Elk Grove, California was leased to third parties.

Competition

According to the US Census Bureau’s 2015 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 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 2014 Sales of Natural Gas Liquids and Liquefied Refinery Gases, as published by the American Petroleum Institute in January 2016, and LP/Gas Magazine dated February 2016, the ten largest retailers, including us, account for approximately 36% 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 48,000 residential and commercial customers primarily in the northeast region of the United States. Sales of fuel oil and refined fuels for fiscal 2016 amounted to 30.9 million gallons. Approximately 66% of the fuel oil and refined fuels gallons sold by us in fiscal 2016 were to residential customers, principally for home heating, 7% were to commercial customers, and 6% to other users. Sales of diesel and gasoline accounted for the remaining 21% of total volumes sold in this segment during fiscal 2016. 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.

Approximately 45% 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 2016.

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 30 suppliers at approximately 50 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 2017.

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 approximately 80,000 natural gas and electricity customers in New York and Pennsylvania. During fiscal 2016, we sold approximately 2.8 million dekatherms of natural gas and 443.3 million kilowatt hours of electricity through the natural gas and electricity segment. Approximately 86% 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.

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." 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.

Government Regulation; Environmental, Health 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, cleanup or monitoring 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 or may have been 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, groundwater and/or other impacts 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 (now known as Crestwood Equity Partners LP) is contractually obligated to indemnify us for the costs associated with the investigation, monitoring, remediation and/or resolution of identified conditions. As of September 24, 2016, 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 and monitoring of that site, requires making numerous assumptions. As a result, the ultimate cost to remediate and monitor 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 and 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.

With respect to the transportation of propane, distillates and gasoline by truck, we are subject to regulations promulgated under various Federal statutes, including the Federal Motor Carrier Safety Improvement Act and the Hazardous Materials Transportation Act. These laws and regulations cover the transportation of hazardous materials and are administered, respectively, by the Federal Motor Carrier Safety Administration and the Pipeline and Hazardous Materials Safety Administration of the United States Department of Transportation (“DOT”), or similar state agencies. We conduct ongoing training programs to help ensure that our operations are in compliance with these and other applicable safety laws and regulations. We maintain various permits that are necessary to operate our facilities, some of which may be material to our operations. In compliance with the DOT’s pipeline safety regulations for “jurisdictional” propane systems that serve multiple customers, we provide training and written instruction for our employees, provide customers with periodic awareness notices and safety information, have established written procedures to minimize the hazards resulting from gas pipeline emergencies and keep records of inspections. We believe that the procedures currently in effect at all of our facilities are in compliance, in all material respects, with applicable laws and regulations concerning the handling, storage, transportation and distribution of propane, distillates and gasoline.

Our operations are subject to workplace safety standards under the Federal Occupational Safety and Health Act of 1970 (OSHA) and comparable state laws that regulate the protection of worker health and safety. Compliance with these standards is monitored through required workplace injury and illness recordkeeping, and reporting. We believe that our operations are in compliance, in all material respects, with applicable worker health and safety standards. We are also subject to laws and regulations governing the security of hazardous materials, including propane, under the Federal Homeland Security Act of 2002, as administered by the Department of Homeland Security (“DHS”). The DHS promulgated the Chemical Facility Anti-Terrorism Standards (“CFATS”) regulation to identify and secure chemical facilities that present the greatest security risk using a risk-based tiering structure. We have a number of facilities registered with the DHS. As a result of the CFATS Act of 2014, the DHS developed a revised tiering methodology for chemical facilities. We will be required to submit revised Top Screen applications for all of our facilities over the upcoming months. Should the number of our regulated facilities increase, we could incur additional costs for enhanced physical security measures. We currently cannot determine the extent of such additional costs, if any, that may be required.

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 has been 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, state or local 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.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") significantly increased regulation of, and restrictions on, derivative transactions to include certain instruments used by the Partnership for risk management activities.

Pursuant to the Dodd-Frank Act, the Commodity Futures Trading Commission (the "CFTC") and the SEC have implemented, and continue 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 requires, or 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.

We are subject to certain regulatory requirements as a result of the Dodd-Frank Act and the implementing regulations and may be indirectly affected by regulatory requirements imposed on our derivatives counterparties. Transactional, margin, capital, recordkeeping, reporting, clearing and other requirements may increase our operational and transactional cost of entering into and maintaining derivatives contracts and may adversely affect the number and/or creditworthiness of derivatives counterparties available to us. If we were to reduce our use of derivatives as a result of regulatory burdens or otherwise, our results of operations could become more volatile and our cash flow could be less predictable.

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, and because our policies and business practices are designed to comply with all applicable laws, 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 24, 2016, we had 3,417 full time employees, of whom 642 were engaged in general and administrative activities (including fleet maintenance), 34 were engaged in transportation and product supply activities and 2,741 were customer service center employees. As of September 24, 2016, 70 of our employees were represented by 9 different local chapters of labor unions. We believe that our relations with both our union and non union employees are satisfactory. In addition, 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 17% warmer than normal, 2% warmer than normal and 3% colder than normal for fiscal 2016, fiscal 2015 and fiscal 2014, 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 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 production and 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 (including for export) 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.

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. This turmoil, especially when coupled with increasing energy prices, may cause our customers to experience cash flow shortages which in turn 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.

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.

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, that we can 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 has been 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, state or local 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.

Transactional, margin, capital, recordkeeping, reporting, clearing and other requirements imposed on parties to derivatives transactions as a result of legislation (such as the Dodd-Frank Act) and related rulemaking may increase our operational and transactional cost of entering into and maintaining derivatives contracts and may adversely affect the number and/or creditworthiness of derivatives counterparties available to us. If we were to reduce our use of derivatives as a result of regulatory burdens or otherwise, our results of operations could become more volatile and our cash flow could 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.

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 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 of 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 24, 2016, our long-term debt borrowings consisted of $346.2 million in aggregate principal amount of 7.375% senior notes due August 1, 2021 (excluding unamortized premium of $17.0 million), $525.0 million in aggregate principal amount of 5.5% senior notes due June 1, 2024, $250.0 million in aggregate principal amount of 5.75% senior notes due March 1, 2025 and $100.0 million under our $500.0 million 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 and the senior secured revolving credit facility. 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.

The revolving credit facility and the senior notes both contain various restrictive and affirmative covenants applicable to us, the Operating Partnership and its subsidiaries, 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 2.5 to 1.0 as of the end of any fiscal quarter; (b) prohibiting our total consolidated leverage ratio, as defined, from being greater than 5.5 to 1.0 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 24, 2016.

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.

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.

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. On May 5, 2015, the U.S. Treasury Department and the Internal Revenue Service issued proposed regulations interpreting the scope of qualifying income for publicly traded partnerships by providing industry-specific guidance with respect to activities that will generate qualifying income for purposes of the qualifying income requirement. The proposed regulations could modify the amount of our gross income that we are able to treat as qualifying income for purposes of the qualifying income requirement. Based on the legislative history of Section 7704 of the Internal Revenue Code and previous Internal Revenue Service guidance, we do not believe that the proposed regulations should affect our ability to qualify as a publicly traded partnership or the characterization of the income from our propane activities as qualifying income. However, there are no assurances that the proposed regulations, when published as final regulations, will not take a position that is contrary to our interpretation of Section 7704 of the Internal Revenue Code. 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.

If the IRS makes audit adjustments to our income tax returns for tax years beginning after 2017, it (and some states) may collect any resulting taxes (including any applicable penalties and interest) directly from the Partnership, in which case cash available to service debt or to pay distributions to our unitholders, if and when resumed, might be substantially reduced.

Pursuant to the Bipartisan Budget Act of 2015, if the IRS makes audit adjustments to our income tax returns for tax years beginning after 2017, it may collect any resulting taxes (including any applicable penalties and interest) directly from us. We will generally have the ability to shift any such tax liability to our unitholders in accordance with their interests in us during the year under audit, but there can be no assurance that we will be able to do so (and will choose to do so) under all circumstances, or that we will be able to (or choose to) effect corresponding shifts in state income or similar tax liability resulting from the IRS adjustment in states in which we do business in the year under audit or in the adjustment year. If we make payments of taxes, penalties and interest resulting from audit adjustments, cash available to service debt or to resume payment of distributions to our unitholders could be reduced.

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.

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.

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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of September 24, 2016, we owned approximately 74% 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 24, 2016, we had a fleet of 7 transport truck tractors, of which we owned 1, and 23 railroad tank cars, of which we owned none. In addition, as of September 24, 2016 we had 1,150 bobtail and rack trucks, of which we owned 50%, 113 fuel oil tankwagons, of which we owned 79%, and 1,215 other delivery and service vehicles, of which we owned 57%. We lease the vehicles we do not own. As of September 24, 2016, we also owned approximately 845,000 customer propane storage tanks with typical capacities of 100 to 500 gallons, 58,000 customer propane storage tanks with typical capacities of over 500 gallons and 270,000 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.

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 21, 2016, there were 647 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	
Fiscal 2016			
First Quarter	$36.69	$22.69	$ 0.8875
Second Quarter	30.94	20.93	0.8875
Third Quarter	37.10	27.77	0.8875
Fourth Quarter	35.95	31.50	0.8875
Fiscal 2015			
First Quarter	$46.05	$40.81	$ 0.8750
Second Quarter	45.87	42.55	0.8875
Third Quarter	44.75	39.47	0.8875
Fourth Quarter	41.14	31.00	0.8875

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.

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 24, 2016	September 26, 2015	September 27, 2014	September 28, 2013	September 29, 2012 (a)
Statement of Operations Data					
Revenues	$1,046,111	$1,416,979	$1,938,257	$1,703,606	$1,063,458
Costs and expenses	965,474	1,239,221	1,748,131	1,526,630	1,003,885
Gain on sale of business (b)	9,769	—	—	—	—
Acquisition-related costs (c)	—	—	—	—	17,916
Operating income	90,406	177,758	190,126	176,976	41,657
Interest expense, net	75,086	77,634	83,261	95,427	38,633
Pension settlement charge (d)	2,000	2,000	—	—	—
Loss on debt extinguishment (e)	292	15,072	11,589	2,144	2,249
Provision for income taxes	588	700	767	607	137
Net income	14,440	84,352	94,509	78,798	638
Net income per Common Unit - basic (f)	0.24	1.39	1.56	1.35	0.02
Net income per Common Unit - diluted (f)	0.24	1.38	1.56	1.34	0.02
Cash distributions declared per unit	$3.55	$3.54	$3.50	$3.50	$3.41
Balance Sheet Data					
Cash and cash equivalents	$37,341	$152,338	$92,639	$107,232	$134,317
Current assets	147,299	273,413	294,865	293,322	337,515
Total assets	2,295,969	2,485,730	2,609,363	2,727,987	2,883,850
Current liabilities	205,054	210,346	222,266	233,894	253,715
Total debt	1,238,172	1,241,107	1,242,685	1,245,237	1,422,078
Total liabilities	1,587,738	1,587,410	1,587,910	1,598,861	1,793,351
Partners' capital - Common Unitholders	$754,063	$947,203	$1,067,358	$1,176,479	$1,151,606
Statement of Cash Flows Data					
Cash provided by (used in)					
Operating activities	$157,108	$324,209	$225,551	$214,306	$110,973
Investing activities	(53,905)	(35,972)	(16,532)	(14,663)	(239,758)
Financing activities	$(218,200)	$(228,538)	$(223,612)	$(226,728)	$113,549
Other Data					
Depreciation and amortization	$129,616	$133,294	$136,399	$130,384	$47,034
EBITDA (g)	219,730	295,980	314,936	305,216	86,442
Adjusted EBITDA (g)	223,043	334,039	338,502	329,253	108,536
Capital expenditures - maintenance and growth (h)	$38,375	$41,213	$30,052	$27,823	$17,476
Retail gallons sold					
Propane	414,776	480,372	530,743	534,621	283,841
Fuel oil and refined fuels	30,878	41,878	49,071	53,710	28,491

(a) Fiscal 2012 includes 53 weeks of operations compared to 52 weeks in each of fiscal 2016, 2015, 2014 and 2013. 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, fiscal 2014, fiscal 2015 and fiscal 2016, and the assets and liabilities of Inergy Propane have been included in the consolidated balance sheet since September 29, 2012.

(b) On April 22, 2016, we sold certain assets and operations in a non-strategic market of the propane segment for $26.0 million, including $5.0 million of non-compete consideration that will be received over a five-year period, resulting in a gain of $9.8 million.

(c) 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.

(d) We incurred non-cash pension settlement charges of $2.0 million during fiscal 2016 and 2015 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.

(e) We recognized a loss on debt extinguishment during the following periods:

- On March 3, 2016, we entered into a Second Amended and Restated Credit Agreement ("the "Amended Credit Agreement") that provides for a five-year $500.0 million revolving credit facility (the "Revolving Credit Facility"), of which $100.0 million was outstanding as of September 24, 2016. As of the end of fiscal 2015, 2014, 2013 and 2012, $100.0 million was outstanding under the revolving credit facility of the previous credit agreement, which was rolled into the Revolving Credit Facility of the Amended Credit Agreement. The Amended Credit Agreement amends and restates the previous credit agreement to, among other things, extend the maturity date from January 5, 2017 to March 3, 2021, reduce the borrowing rate, amend certain affirmative and negative covenants and increase the revolving credit facility from $400.0 million to $500.0 million. In connection with the Amended Credit Agreement, we recognized a non-cash charge of $0.3 million to write-off a portion of unamortized debt origination costs of the previous credit agreement.
- On February 25, 2015, we repurchased and satisfied and discharged all of our 2020 Senior Notes with net proceeds from the issuance of the 2025 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 $15.1 million consisting of $11.1 million for the redemption premium and related fees, as well as the write-off of $2.9 million and $1.1 million in unamortized debt origination costs and unamortized discount, respectively.
- 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 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.
- During fiscal 2012, we amended the then outstanding credit agreement to increase the five-year $250.0 million revolving credit facility to $400.0 million and also to extend the maturity date from June 25, 2013 to January 5, 2017. In connection with the execution of the previous 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 then previous 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.

(f) 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. The final awards under the 2000 Restricted Unit Plan vested during the first quarter of fiscal 2015. 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.
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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.

- The aforementioned Common Units have been included in basic and diluted earnings per Common Unit from the respective dates of issuance.

(g) 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 items, as applicable, as provided in the table below. Our management uses EBITDA and Adjusted EBITDA as supplemental measures of operating performance and we are including them because we believe that they provide our investors and industry analysts with additional information to evaluate our operating results. 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 our calculations of EBITDA and Adjusted EBITDA:

	Year Ended September 24, 2016	September 26, 2015	September 27, 2014	September 28, 2013	September 29, 2012 (a)
Net income	$14,440	$84,352	$94,509	$78,798	$638
Add:					
Provision for income taxes	588	700	767	607	137
Interest expense, net	75,086	77,634	83,261	95,427	38,633
Depreciation and amortization	129,616	133,294	136,399	130,384	47,034
EBITDA	219,730	295,980	314,936	305,216	86,442
Unrealized (non-cash) (gains) losses on changes in fair value of derivatives	1,190	(1,855)	(306)	4,318	(4,649)
Gain on sale of business	(9,769)	—	—	—	—
Multi-employer pension plan withdrawal charge	6,600	11,300	—	7,000	—
Product liability settlement	3,000	—	—	—	—
Pension settlement charge	2,000	2,000	—	—	—
Loss on debt extinguishment	292	15,072	11,589	2,144	2,249
Integration-related costs	—	11,542	12,283	10,575	—
Acquisition-related costs	—	—	—	—	17,916
Loss on legal settlement	—	—	—	—	4,500
Loss on asset disposal	—	—	—	—	2,078
Adjusted EBITDA	$223,043	$334,039	$338,502	$329,253	$108,536

(h) 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.

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.

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 six 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 1.1 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.

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. In October 2014, the Society of Actuaries ("SOA") issued new mortality tables (RP-2014) and a new mortality improvement scale (MP-2014). We use SOA and other actuarial life expectancy information when developing the annual mortality assumptions for our pension and postretirement benefit plans, which are used to measure net periodic benefit costs and the obligation under these plans. 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.

We contribute to multi-employer pension plans ("MEPPs") in accordance with various collective bargaining agreements covering union employees. As one of the many participating employers in these MEPPs, we are responsible with the other participating employers for any plan underfunding. Due to the uncertainty regarding future factors that could impact the withdrawal liability, we are unable to determine the timing of the payment of the future withdrawal liability, or additional future withdrawal liability, if any.

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 2016 was $14.4 million, or $0.24 per Common Unit, compared to $84.4 million, or $1.39 per Common Unit, in fiscal 2015.

Net income and EBITDA (as defined and reconciled below) for fiscal 2016 included: (i) a $9.8 million gain from the sale of certain assets and operations in a non-strategic market of the propane segment; (ii) a $6.6 million charge related to the voluntary full withdrawal from a MEPP covering certain employees acquired in the Inergy Propane Acquisition; (iii) a $3.0 million charge related to the settlement of a product liability matter; (iv) a pension settlement charge of $2.0 million; and (v) a loss on debt extinguishment of $0.3 million.

Net income and EBITDA for fiscal 2015 included: (i) a loss on debt extinguishment of $15.1 million; (ii) $11.5 million in expenses related to the integration of Inergy Propane; (iii) an $11.3 million charge related to the voluntary partial withdrawal from a MEPP covering certain employees acquired in the Inergy Propane Acquisition; and (iv) a pension settlement charge of $2.0 million.

Excluding the effects of the foregoing items and unrealized (non-cash) mark-to-market adjustments on derivative instruments in both years, Adjusted EBITDA (as defined and reconciled below) amounted to $223.0 million in fiscal 2016, compared to Adjusted EBITDA of $334.0 million in fiscal 2015.

Retail propane gallons sold in fiscal 2016 decreased 65.6 million gallons, or 13.7%, to 414.8 million gallons. Sales of fuel oil and other refined fuels decreased 11.0 million gallons, or 26.3%, to 30.9 million gallons. According to the National Oceanic and Atmospheric Administration, the winter of 2015-2016 was the warmest on record in the contiguous United States. Average temperatures (as measured by heating degree days) across all of our service territories for fiscal 2016 were 17% warmer than normal and 15% warmer than the prior year. While average temperatures were considerably warmer than the prior year in nearly all service territories, California experienced cooler weather compared to the prior year, which contributed to a 13% increase in propane volumes sold in that market.

Revenues for fiscal 2016 of $1,046.1 million decreased $370.9 million, or 26.2%, compared to the prior year, primarily due to the lower volumes sold, combined with lower retail selling prices associated with lower wholesale costs.

Cost of products sold for fiscal 2016 of $362.0 million decreased $231.4 million, or 39.0%, compared to the prior year, primarily due to lower wholesale propane costs and, to a lesser extent, lower volumes sold. Average posted propane prices (basis Mont Belvieu, Texas) and fuel oil prices were 18.4% and 31.0% lower than the prior year, respectively. Cost of products sold for fiscal 2016 included a $1.2 million unrealized (non-cash) loss attributable to the mark-to-market adjustment for derivative instruments used in risk management activities, compared to a $1.9 million unrealized (non-cash) gain for fiscal 2015. These unrealized gains and losses are excluded from Adjusted EBITDA for both periods in the table below.

Combined operating and general and administrative expenses of $473.9 million for fiscal 2016 were $38.6 million, or 7.5%, lower than fiscal 2015. Excluding the impact of the items discussed above in the computation of Adjusted EBITDA from both periods, combined operating and general and administrative expenses decreased 5.2% compared to the prior year, primarily due to savings in payroll and benefit-related expenses from a lower headcount, lower vehicle expenses stemming from a reduced vehicle count, as well as lower volume-related variable costs and continued operating efficiencies.

Depreciation and amortization expense of $129.6 million for fiscal 2016 decreased $3.7 million, or 2.8%, primarily due to the acceleration of depreciation expense recorded in the prior year for assets taken out of service. Net interest expense of $75.1 million for fiscal 2016 decreased $2.5 million, or 3.2%, primarily due to savings from the refinancing of certain of our senior notes completed in the second quarter of fiscal 2015 and the refinancing of our revolving credit facility during the second quarter of fiscal 2016.

During fiscal 2016, we succeeded in accomplishing many significant goals. The following highlight a few key accomplishments for fiscal 2016:

- We acquired the assets and operations of Propane USA Distribution, LLC, which expanded our presence in the South Florida market;
- We extended our reach in certain strategic markets that were not previously served by our existing footprint;
- We successfully refinanced our revolving credit facility which improved our cost of capital, further extended our debt maturities until 2021 and increased our available borrowing capacity;
- We made further refinements to our operating model to streamline our operational activities, reduce our cost structure and enhance our position in several markets; and
- We funded all working capital needs from cash on hand without the need to borrow under our revolving credit facility and ended the year with more than $37.0 million of cash.

As we look ahead to fiscal 2017, our anticipated cash requirements include: (i) maintenance and growth capital expenditures of approximately $38.0 million; (ii) approximately $74.8 million of interest and income tax payments; and (iii) approximately $216.6 million of distributions to Unitholders, assuming distributions remain at the current annualized rate of $3.55 per Common Unit. Based on our current cash position of $37.3 million as of September 24, 2016, availability of funds under the Revolving Credit Facility and expected cash flow from operating activities, we expect to have sufficient funds to meet our current and future obligations.

Fiscal Year 2016 Compared to Fiscal Year 2015

Revenues

(Dollars and gallons in thousands)

	Fiscal 2016	Fiscal 2015	Decrease	Percent Decrease
Revenues				
Propane	$884,169	$1,176,980	$(292,811)	(24.9)%
Fuel oil and refined fuels	68,759	127,495	(58,736)	(46.1)%
Natural gas and electricity	50,763	66,865	(16,102)	(24.1)%
All other	42,420	45,639	(3,219)	(7.1)%
Total revenues	$1,046,111	$1,416,979	$(370,868)	(26.2)%
Retail gallons sold				
Propane	414,776	480,372	(65,596)	(13.7)%
Fuel oil and refined fuels	30,878	41,878	(11,000)	(26.3)%

Total revenues decreased $370.9 million, or 26.2%, to $1,046.1 million for fiscal 2016 compared to $1,417.0 million for the prior year due to lower volumes sold driven by record warm temperatures experienced during the fiscal 2016 heating season, combined with lower average selling prices associated with lower wholesale costs. As discussed above, average temperatures (as measured in heating degree days) across all of our service territories for fiscal 2016 were 17% warmer than normal and 15% warmer than the prior year. During the heating season (October through March), average temperatures were 18% warmer than normal and 19% warmer than the comparable prior year period. The unseasonably warm weather was persistent as temperatures were warmer than both normal and the prior year throughout the heating season in nearly all of our service territories. While average temperatures were considerably warmer than the prior year in nearly all service territories, California experienced cooler weather compared to the prior year (although temperatures were still 24% warmer than normal), which helped contribute to a 13% year-over-year increase in sales volumes in that market.

Revenues from the distribution of propane and related activities of $884.2 million for fiscal 2016 decreased $292.8 million, or 24.9%, compared to $1,177.0 million for the prior year, primarily due to lower retail volumes sold resulting from the impact of record warm temperatures on customer demand for heating needs, coupled with lower average retail selling prices associated with lower wholesale costs. Retail propane gallons sold in fiscal 2016 decreased 65.6 million gallons, or 13.7%, resulting in a decrease in revenues of $150.4 million. Average propane selling prices for fiscal 2016 decreased 13.5% compared to the prior year, resulting in a $128.1 million decrease in revenues year-over-year. Included within the propane segment are revenues from other propane activities of $61.1 million for fiscal 2016, which decreased $14.3 million compared to the prior year.

Revenues from the distribution of fuel oil and refined fuels of $68.8 million for fiscal 2016 decreased $58.7 million, or 46.1%, from $127.5 million for the prior year, primarily due to lower volumes sold resulting from the record warm temperatures discussed above, particularly in the northeast region of the country in which the majority of our fuel oil customers reside, and lower average selling prices associated with lower wholesale costs. Fuel oil and refined fuels gallons sold in fiscal 2016 decreased 11.0 million gallons, or 26.3%, resulting in a decrease in revenues of $33.4 million. Average selling prices in our fuel oil and refined fuels segment decreased 26.9%, resulting in a $25.3 million decrease in revenues.

Revenues in our natural gas and electricity segment decreased $16.1 million, or 24.1%, to $50.8 million in fiscal 2016 compared to $66.9 million in the prior year as a result of lower average selling prices for natural gas and electricity associated with lower average wholesale costs, and lower natural gas usage resulting from the warm weather discussed above.

Cost of Products Sold

(Dollars in thousands)

	Fiscal 2016	Fiscal 2015	Decrease	Percent Decrease
Cost of products sold				
Propane	$275,091	$443,538	$(168,447)	(38.0)%
Fuel oil and refined fuels	42,890	92,628	(49,738)	(53.7)%
Natural gas and electricity	30,676	42,313	(11,637)	(27.5)%
All other	13,296	14,901	(1,605)	(10.8)%
Total cost of products sold	$361,953	$593,380	$(231,427)	(39.0)%
As a percent of total revenues	34.6%	41.9%		

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.

Given the retail nature of our operations, we maintain a certain level of priced physical inventory to help ensure that our field operations have adequate supply commensurate with the time of year. Our strategy has been, and will continue to be, to keep our physical inventory priced relatively close to market for our field operations. Consistent with past practices, we principally utilize futures and/or options contracts traded on the NYMEX to mitigate the price risk associated with our priced physical inventory. Under this risk management strategy, realized gains or losses on futures or options contracts, which are reported in cost of products sold, will typically offset losses or gains on the physical inventory once the product is sold (which may or may not occur in the same accounting period). We do not use futures or options contracts, or other derivative instruments, for speculative trading purposes. 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.

In the commodities markets, the downward trend in propane prices (basis Mont Belvieu, Texas) experienced in fiscal 2015 continued in fiscal 2016 and extended into February 2016. Thereafter, propane prices rallied and generally traded between $0.40 and $0.50 per gallon. Overall, average posted prices for propane and fuel oil for fiscal 2016 were 18.4% and 31.0% lower than the prior year, respectively. The net change in the fair value of derivative instruments during the period resulted in unrealized (non-cash) (losses) gains of ($1.2) million and $1.9 million reported in cost of products sold in fiscal 2016 and 2015, respectively, resulting in an increase of $3.1 million in cost of products sold in fiscal 2016 compared to the prior year, $2.2 million of which was reported in the propane segment and $0.9 million was reported in the fuel oil and refined fuels segment.

Cost of products sold associated with the distribution of propane and related activities of $275.1 million for fiscal 2016 decreased $168.4 million, or 38.0%, compared to the prior year, primarily due to lower wholesale costs and, to a lesser extent, lower volumes sold. Lower average propane costs and lower propane volumes sold during fiscal 2016 resulted in a decrease of $106.8 million and $59.5 million, respectively. Cost of products sold from other propane activities decreased $4.3 million.

Cost of products sold associated with our fuel oil and refined fuels segment of $42.9 million for fiscal 2016 decreased $49.7 million, or 53.7%, compared to the prior year. Lower fuel oil and refined fuels wholesale costs and lower volumes sold resulted in decreases of $26.2 million and $24.4 million, respectively, in costs of products sold during fiscal 2016 compared to the prior year.

Cost of products sold in our natural gas and electricity segment of $30.7 million for fiscal 2016 decreased $11.6 million, or 27.5%, compared to the prior year, primarily due to lower natural gas and electricity wholesale costs coupled with lower usage.

Total cost of products sold as a percent of total revenues decreased 7.3 percentage points to 34.6% in fiscal 2016 from 41.9% in the prior year, primarily due to the decline in wholesale costs outpacing the decline in average selling prices.

Operating Expenses

(Dollars in thousands)

	Fiscal 2016	Fiscal 2015	Decrease	Percent Decrease
Operating expenses	$412,756	$444,251	$(31,495)	(7.1)%
As a percent of total revenues	39.5%	31.4%		

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 $412.8 million for fiscal 2016 decreased $31.5 million, or 7.1%, compared to $444.3 million in the prior year, primarily due to lower payroll and benefit-related expenses attributable to reduced headcount, lower variable compensation associated with lower earnings, lower vehicle expenses due to reduced vehicle count and lower fuel costs to operate our fleet; offset to an extent by an increase in insurance and product liability expenses. Operating expenses for fiscal 2016 included a $6.6 million accrual for our voluntary full withdrawal from a MEPP, a charge of $3.0 million related to the settlement of a product liability matter, and a pension settlement charge of $2.0 million. Operating expenses for fiscal 2015 included expenses of $9.7 million associated with the integration of the Inergy Propane operations, an $11.3 million charge related to our voluntary partial withdrawal from a MEPP, and a pension settlement charge of $2.0 million. These items were excluded from our calculation of Adjusted EBITDA below.

General and Administrative Expenses

(Dollars in thousands)	Fiscal 2016	Fiscal 2015	Decrease	Percent Decrease
General and administrative expenses	$61,149	$68,296	$(7,147)	(10.5)%
As a percent of total revenues	5.8%	4.8%		

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 $61.1 million for fiscal 2016 decreased $7.1 million, or 10.5%, compared to $68.3 million in the prior year, primarily due to lower variable compensation associated with lower earnings, partially offset by increased professional services fees for strategic initiatives. General and administrative expenses for fiscal 2015 included $1.9 million of professional services and other expenses associated with the integration of the Inergy Propane operations. This item was excluded from our calculation of Adjusted EBITDA below.

Depreciation and Amortization

(Dollars in thousands)	Fiscal 2016	Fiscal 2015	Decrease	Percent Decrease
Depreciation and amortization	$129,616	$133,294	$(3,678)	(2.8)%
As a percent of total revenues	12.4%	9.4%		

Depreciation and amortization expense of $129.6 million in fiscal 2016 decreased $3.7 million from $133.3 million in the prior year, primarily as a result of accelerated depreciation expense recorded in the prior year for assets taken out of service from integration activities.

Interest Expense, net

(Dollars in thousands)

	Fiscal 2016	Fiscal 2015	Decrease	Percent Decrease
Interest expense, net	$75,086	$77,634	$ (2,548)	(3.3)%
As a percent of total revenues	7.2 %	5.5 %		

Net interest expense of $75.1 million for fiscal 2016 decreased $2.5 million from $77.6 million in the prior year, primarily due to the refinancing of $250.0 million of 7.375% Senior Notes due 2020 with $250.0 million of 5.75% Senior Notes due 2025 in the second quarter of fiscal 2015, and savings from the refinancing of our revolving credit facility. See Liquidity and Capital Resources below for additional discussion.

Gain on Sale of Business

On April 22, 2016, we sold certain assets and operations in a non-strategic market of the propane segment for $26.0 million, including $5.0 million of non-compete consideration that will be received over a five-year period, resulting in a gain of $9.8 million that was recognized during the third quarter of fiscal 2016. The corresponding net assets and results of operations were not material to our results of operations, financial position and cash flows.

Loss on Debt Extinguishment

On March 3, 2016, we entered into a Second Amended and Restated Credit Agreement ("Amended Credit Agreement") that provides for a five-year $500.0 million revolving credit facility. In connection with the Amended Credit Agreement, we recognized a non-cash charge of $0.3 million to write-off a portion of unamortized debt origination costs of the previous credit agreement.

On February 25, 2015, we repurchased and satisfied and discharged all of our previously outstanding 2020 Senior Notes with net proceeds from the issuance of the 2025 Senior Notes and cash on hand, pursuant to a tender offer and redemption. In connection with this tender offer and redemption, during the second quarter of fiscal 2015 we recognized a loss on the extinguishment of debt of $15.1 million, consisting of $11.1 million for the redemption premium and related fees, as well as the write-off of $2.9 million and $1.1 million in unamortized debt origination costs and unamortized discount, respectively.

Net Income and Adjusted EBITDA

Net income for fiscal 2016 amounted to $14.4 million, or $0.24 per Common Unit, compared to $84.4 million, or $1.39 per Common Unit, in fiscal 2015. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for fiscal 2016 amounted to $219.7 million, compared to $296.0 million for fiscal 2015.

Net income and EBITDA for fiscal 2016 included: (i) a gain on sale of business of $9.8 million; (ii) a $6.6 million charge related to our voluntary full withdrawal from a MEPP; (iii) a $3.0 million charge related to the settlement of a product liability matter; (iv) a pension settlement charge of $2.0 million; and (v) a loss on debt extinguishment of $0.3 million. Net income and EBITDA for fiscal 2015 included: (i) a loss on debt extinguishment of $15.1 million; (ii) $11.5 million in expenses related to the integration of Inergy Propane; (iii) an $11.3 million charge related to our voluntary partial withdrawal from a MEPP; and (iv) a pension settlement charge of $2.0 million. Excluding the effects of these items, as well as the unrealized (non-cash) mark-to-market adjustments on derivative instruments in both years, Adjusted EBITDA amounted to $223.0 million for fiscal 2016, compared to Adjusted EBITDA of $334.0 million in fiscal 2015.

EBITDA represents net income before deducting interest expense, income taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA excluding the unrealized net gain or loss on mark-to-market activity for derivative instruments and other items, as applicable, as provided in the table below. Our management uses EBITDA and Adjusted EBITDA as supplemental measures of operating performance and we are including them because we believe that they provide our investors and industry analysts with additional information to evaluate our operating results. 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 our calculations of EBITDA and Adjusted EBITDA:

(Dollars in thousands)	Year Ended	
	September 24, 2016	September 26, 2015
Net income	$ 14,440	$ 84,352
Add:		

Provision for income taxes	588	700
Interest expense, net	75,086	77,634
Depreciation and amortization	129,616	133,294
EBITDA	219,730	295,980
Unrealized (non-cash) losses (gains) on changes in fair value of derivatives	1,190	(1,855)
Gain on sale of business	(9,769)	—
Multi-employer pension plan withdrawal charge	6,600	11,300
Product liability settlement	3,000	—
Pension settlement charge	2,000	2,000
Loss on debt extinguishment	292	15,072
Integration-related costs	—	11,542
Adjusted EBITDA	$223,043	$334,039

Fiscal Year 2015 Compared to Fiscal Year 2014

Revenues

(Dollars and gallons in thousands)

	Fiscal 2015	Fiscal 2014	Decrease	Percent Decrease
Revenues				
Propane	$1,176,980	$1,606,840	$(429,860)	(26.8)%
Fuel oil and refined fuels	127,495	194,684	(67,189)	(34.5)%
Natural gas and electricity	66,865	87,093	(20,228)	(23.2)%
All other	45,639	49,640	(4,001)	(8.1)%
Total revenues	$1,416,979	$1,938,257	$(521,278)	(26.9)%
Retail gallons sold				
Propane	480,372	530,743	(50,371)	(9.5)%
Fuel oil and refined fuels	41,878	49,071	(7,193)	(14.7)%

Total revenues decreased $521.3 million, or 26.9%, to $1,417.0 million for fiscal 2015 compared to $1,938.3 million for the prior year due to lower average propane, fuel oil and refined fuels and natural gas selling prices and, to a lesser extent, lower volumes sold. Average temperatures (as measured in heating degree days) across all of our service territories for fiscal 2015 were 2% warmer than normal and 5% warmer than the prior year. The weather pattern during the fiscal 2015 heating season was characterized by warmer than normal temperatures for the first quarter of fiscal 2015, particularly during the month of December 2014 (December 2014 was 15% warmer than normal and 21% warmer than December 2013), followed by inconsistent temperatures in our eastern and midwestern territories during the latter half of the heating season. We also experienced sustained warmer than normal temperatures in our western territories throughout fiscal 2015 as average temperatures were 23% warmer than normal and 9% warmer than the comparable prior year period.

Revenues from the distribution of propane and related activities of $1,177.0 million for fiscal 2015 decreased $429.9 million, or 26.8%, compared to $1,606.8 million for the prior year, primarily due to lower average retail selling prices associated with lower wholesale propane costs and, to a lesser extent, lower volumes sold. Average propane selling prices for fiscal 2015 decreased 20.3% compared to the prior year, resulting in a $281.0 million decrease in revenues year-over-year. Retail propane gallons sold in fiscal 2015 decreased 50.4 million gallons, or 9.5%, resulting in a decrease in revenues of $145.0 million. Volumes sold during fiscal 2015 were adversely affected by the unseasonably warm weather during key parts of the winter heating season discussed above. Included within the propane segment are revenues from other propane activities of $75.3 million for fiscal 2015, which decreased $3.9 million compared to the prior year.

Revenues from the distribution of fuel oil and refined fuels of $127.5 million for fiscal 2015 decreased $67.2 million, or 34.5%, from $194.7 million for the prior year, primarily due to lower average selling prices and, to a lesser extent, lower volumes sold. Average selling prices in our fuel oil and refined fuels segment decreased 23.2%, resulting in a $38.5 million decrease in revenues. Fuel oil and refined fuels gallons sold in fiscal 2015 decreased 7.2 million gallons, or 14.7%, resulting in a decrease in revenues of $28.7 million. The decrease in volumes sold was primarily due to the impact of the unfavorable weather trends discussed above.

Revenues in our natural gas and electricity segment decreased $20.2 million, or 23.2%, to $66.9 million in fiscal 2015 compared to $87.1 million in the prior year as a result of lower average selling prices for natural gas and electricity as a result of lower average wholesale costs and, to a lesser extent, lower natural gas and electricity usage.

Cost of Products Sold

(Dollars in thousands)

	Fiscal 2015	Fiscal 2014	Decrease	Percent Decrease
Cost of products sold				
Propane	$443,538	$844,855	$(401,317)	(47.5)%
Fuel oil and refined fuels	92,628	155,773	(63,145)	(40.5)%
Natural gas and electricity	42,313	64,448	(22,135)	(34.3)%
All other	14,901	15,674	(773)	(4.9)%
Total cost of products sold	$593,380	$1,080,750	$(487,370)	(45.1)%
As a percent of total revenues	41.9%	55.8%		

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From a commodity perspective, propane prices declined rather sharply during the first quarter of fiscal 2015 and continued to trend downward for the remainder of the fiscal year, primarily due to sustained record or near-record high U.S. propane inventories. The movement in commodity prices in fiscal 2015 was in stark contrast to the prior year, when prices were rising rapidly due to industry-wide supply and logistics challenges, particularly during the peak of the fiscal 2014 heating season. Overall, average posted prices for propane (basis Mont Belvieu, Texas) and fuel oil prices for fiscal 2015 were 52.7% and 35.5% lower than the prior year, respectively. The net change in the fair value of derivative instruments during the period resulted in unrealized (non-cash) gains of $1.9 million and $0.3 million reported in cost of products sold in fiscal 2015 and 2014, respectively, resulting in a decrease of $1.6 million in cost of products sold in fiscal 2015 compared to the prior year, $1.3 million of which was reported in the propane segment and $0.3 million was reported in the fuel oil and refined fuels segment.

Cost of products sold associated with the distribution of propane and related activities of $443.5 million for fiscal 2015 decreased $401.3 million, or 47.5%, compared to the prior year primarily due to lower wholesale costs and, to a lesser extent, lower volumes sold. Lower average propane costs and lower propane volumes sold during fiscal 2015 resulted in a decrease of $310.3 million and $78.2 million, respectively. Cost of products sold from other propane activities decreased $11.5 million.

Cost of products sold associated with our fuel oil and refined fuels segment of $92.6 million for fiscal 2015 decreased $63.1 million, or 40.5%, compared to the prior year. Lower fuel oil and refined fuels wholesale costs and lower volumes sold, resulted in decreases of $39.8 million and $23.0 million, respectively, in costs of products sold during fiscal 2015 compared to the prior year.

Cost of products sold in our natural gas and electricity segment of $42.3 million for fiscal 2015 decreased $22.1 million, or 34.3%, compared to the prior year, primarily due to lower natural gas and electricity wholesale costs and, to a lesser extent, lower usage.

Total cost of products sold as a percent of total revenues decreased 13.9 percentage points to 41.9% in fiscal 2015 from 55.8% in the prior year, primarily due to the decline in wholesale costs outpacing the decline in average selling prices in all segments during fiscal 2015.

Operating Expenses

(Dollars in thousands)	Fiscal 2015	Fiscal 2014	Decrease	Percent Decrease
Operating expenses	$444,251	$466,389	$(22,138)	(4.7)%
As a percent of total revenues	31.4%	24.1%		

Operating expenses of $444.3 million for fiscal 2015 decreased $22.1 million, or 4.7%, compared to $466.4 million in the prior year, primarily due to operating efficiencies and synergies realized as a result of the integration of Inergy Propane; including lower payroll and benefit-related expenses attributable to reduced headcount, lower vehicles expenses attributable to reduced vehicle count and lower fuel costs to operate our fleet, and lower bad debt and insurance expenses. Operating expenses for fiscal 2015 included expenses of $9.7 million associated with the integration of the Inergy Propane operations, an $11.3 million charge related to our voluntary partial withdrawal from a MEPP, and a pension settlement charge of $2.0 million. Operating expenses for fiscal 2014 included integration-related expenses of $8.1 million. These items were excluded from our calculation of Adjusted EBITDA below.

General and Administrative Expenses

(Dollars in thousands)

	Fiscal 2015	Fiscal 2014	Increase	Percent Increase
General and administrative expenses	$68,296	$64,593	$3,703	5.7 %
As a percent of total revenues	4.8 %	3.3 %		

General and administrative expenses of $68.3 million for fiscal 2015 increased $3.7 million from $64.6 million in the prior year, primarily due to higher payroll expenses, including variable compensation, and higher professional service fees associated with uninsured legal matters. General and administrative expenses for fiscal 2015 and 2014 included $1.9 million and $4.2 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 2015	Fiscal 2014	Decrease	Percent Decrease
Depreciation and amortization	$133,294	$136,399	$(3,105)	(2.3)%
As a percent of total revenues	9.4%	7.0%		

Depreciation and amortization expense of $133.3 million in fiscal 2015 decreased $3.1 million from $136.4 million in the prior year, primarily as a result of accelerated depreciation expense recorded in the prior year for assets taken out of service from integration activities.

Interest Expense, net

(Dollars in thousands)

	Fiscal 2015	Fiscal 2014	Decrease	Percent Decrease
Interest expense, net	$77,634	$83,261	$(5,627)	(6.8)%
As a percent of total revenues	5.5%	4.3%		

Net interest expense of $77.6 million for fiscal 2015 decreased $5.6 million from $83.3 million in the prior year, primarily due to the refinancing of $496.6 million of 7.5% Senior Notes due 2018 with $525.0 million of 5.5% Senior Notes due 2024 in the third quarter of fiscal 2014, and the refinancing of $250.0 million of 7.375% Senior Notes due 2020 with $250.0 million of 5.75% Senior Notes due 2025 in the second quarter of fiscal 2015. See Liquidity and Capital Resources below for additional discussion.

Loss on Debt Extinguishment

On February 25, 2015, we repurchased and satisfied and discharged all of our previously outstanding 2020 Senior Notes with net proceeds from the issuance of the 2025 Senior Notes and cash on hand, pursuant to a tender offer and redemption. In connection with this tender offer and redemption, during the second quarter of fiscal 2015 we recognized a loss on the extinguishment of debt of $15.1 million, consisting of $11.1 million for the redemption premium and related fees, as well as the write-off of $2.9 million and $1.1 million in unamortized debt origination costs and unamortized discount, respectively.

On May 27, 2014, we repurchased and satisfied and discharged all of our previously outstanding 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.

Net Income and Adjusted EBITDA

Net income for fiscal 2015 amounted to $84.4 million, or $1.39 per Common Unit, compared to $94.5 million, or $1.56 per Common Unit, in fiscal 2014. Earnings before interest, taxes, depreciation and amortization (“EBITDA”) for fiscal 2015 amounted to $296.0 million, compared to $314.9 million for fiscal 2014.

Net income and EBITDA for fiscal 2015 included: (i) a loss on debt extinguishment of $15.1 million; (ii) $11.5 million in expenses related to the integration of Inergy Propane; (iii) an $11.3 million charge related to our voluntary partial withdrawal from a MEPP; and (iv) a pension settlement charge of $2.0 million. Net income and EBITDA for fiscal 2014 included: (i) a loss on debt extinguishment of $11.6 million; and (ii) $12.3 million in expenses related to the integration of Inergy Propane. Excluding the effects of these items, as well as the unrealized (non-cash) mark-to-market adjustments on derivative instruments in both years, Adjusted EBITDA amounted to $334.0 million for fiscal 2015, compared to Adjusted EBITDA of $338.5 million in fiscal 2014.

The following table sets forth our calculations of EBITDA and Adjusted EBITDA:

(Dollars in thousands)	Year Ended September 26, 2015	September 27, 2014
Net income	$84,352	$94,509
Add:		
Provision for income taxes	700	767
Interest expense, net	77,634	83,261
Depreciation and amortization	133,294	136,399
EBITDA	295,980	314,936
Unrealized (non-cash) (gains) losses on changes in fair value of derivatives	(1,855)	(306)
Loss on debt extinguishment	15,072	11,589
Integration-related costs	11,542	12,283
Multi-employer pension plan withdrawal charge	11,300	—
Pension settlement charge	2,000	—
Adjusted EBITDA	$334,039	$338,502

Liquidity and Capital Resources

Analysis of Cash Flows

Operating Activities. Net cash provided by operating activities for fiscal 2016 amounted to $157.1 million, a decrease of $167.1 million compared to the prior year. The decrease was primarily attributable to lower earnings (discussed above) coupled with a lower amount of working capital realized as a result of a lower level of working capital at the beginning of fiscal 2016 compared to the beginning of fiscal 2015. The decline in the amount of working capital was due to the impact of the steep decline in wholesale product costs on our accounts receivable and inventory in fiscal 2015.

Investing Activities. Net cash used in investing activities of $53.9 million for fiscal 2016 consisted of $42.9 million for the acquisition of Propane USA and capital expenditures of $38.4 million (including $21.8 million to support the growth of operations and $16.6 million for maintenance expenditures); partially offset by $21.5 million in proceeds from the sale of assets and operations in a non-strategic market and $6.0 million in net proceeds from the sale of property, plant and equipment. Net cash used in investing activities of $36.0 million for fiscal 2015 consisted of capital expenditures of $41.2 million (including $21.8 million to support the growth of operations and $19.4 million for maintenance expenditures) and $6.5 million for the acquisition of a business; partially offset by $11.7 million in net proceeds from the sale of property, plant and equipment.

Financing Activities. Net cash used in financing activities for fiscal 2016 of $218.2 million reflects the quarterly distribution to Common Unitholders at a rate of $0.8875 per Common Unit paid in respect of the fourth quarter of fiscal 2015 and the first, second and third quarters of fiscal 2016. Upon the execution of the amendment and restatement of our credit agreement on March 3, 2016, we rolled the $100.0 million then-outstanding under the revolving credit facility of the previous credit agreement into the revolving credit facility of the new second amended and restated credit agreement. This resulted in the repayment of the $100.0 million then-outstanding under the revolving credit facility of the previous credit agreement with proceeds from borrowings under the revolving credit facility of the new credit agreement. Financing activities for fiscal 2016 also reflects the payment of $2.7 million in debt origination costs associated with the refinancing of the credit agreement.

Net cash used in financing activities for fiscal 2015 of $228.5 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 2014 and the first quarter of fiscal 2015, and at a rate of $0.8875 per Common Unit paid in respect of the second and third quarters of fiscal 2015. In addition, cash used in financing activities included proceeds of $250.0 million from the issuance of the 2025 Senior Notes in February 2015 which were used, along with cash on hand, to repurchase and satisfy and discharge all of the previously outstanding 2020 Senior Notes, as well as to pay tender premiums and other related fees of $11.1 million and debt issuance costs of $4.6 million, pursuant to a tender offer and redemption.

Summary of Long-Term Debt Obligations and Revolving Credit Lines

As of September 24, 2016, our long-term debt consisted of $346.2 million in aggregate principal amount of 7.375% senior notes due August 1, 2021 (excluding unamortized premium of $17.0 million), $525.0 million in aggregate principal amount of 5.5% senior notes due June 1, 2024, $250.0 million in aggregate principal amount of 5.75% senior notes due March 1, 2025 and $100.0 million outstanding under our senior secured Revolving Credit Facility. See Part IV, Note 8 of this Annual Report.

The aggregate amounts of long-term debt maturities subsequent to September 24, 2016 are as follows: fiscal 2017: $-0-; fiscal 2018: $-0-; fiscal 2019: $-0-; fiscal 2020: $-0-; fiscal 2021: $446.2 million; and thereafter: $775.0 million.

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 20, 2016, we announced that our Board of Supervisors had declared a quarterly distribution of $0.8875 per Common Unit for the three months ended September 24, 2016. This quarterly distribution rate equates to an annualized rate of $3.55 per Common Unit. The distribution was paid on November 8, 2016 to Common Unitholders of record as of November 1, 2016.

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. We made a minimum required funding payment of $0.7 million in fiscal 2016. There were no such funding requirements for the defined benefit pension plan in fiscal 2015 or 2014. As of September 24, 2016 and September 26, 2015 the plan’s projected benefit obligation exceeded the fair value of plan assets by $49.3 million and $42.6 million, respectively. As a result, the net liability recognized in the consolidated financial statements for the defined benefit pension plan increased by $6.7 million during fiscal 2016, which was primarily attributable to an increase in the benefit obligation as a result of the decrease in discount rates used to measure the obligation, partially offset by a return on plan assets that outpaced the interest cost of the benefit obligation. During fiscal 2017, the Partnership expects to contribute approximately $10.7 million to the defined benefit pension plan in the form of a minimum funding requirement.

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 24, 2016 and September 26, 2015, we used a discount rate of 3.125% and 3.875%, respectively, reflecting current market rates for debt obligations of a similar duration to our pension obligations.

During fiscal 2016 and fiscal 2015, lump sum settlement payments of $5.8 million in each year exceeded the interest and service cost components of the net periodic pension cost. As a result, we recorded a non-cash settlement charge of $2.0 million during the fourth quarter of fiscal 2016 and fiscal 2015, respectively, in order to accelerate recognition of a portion of cumulative unrecognized losses in the defined benefit pension plan. These unrecognized losses were previously accumulated as a reduction to partners' capital and were being amortized to expense as part of our net periodic pension cost. During fiscal 2014, the amount of the pension benefit obligations 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.

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 March 31, 1998, we froze participation in our postretirement health care benefit plan, with no new retirees eligible to participate in the plan. 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.

Long-Term Debt Obligations and Operating Lease Obligations

Contractual Obligations

The following table summarizes payments due under our known contractual obligations as of September 24, 2016:

(Dollars in thousands)

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022 and thereafter
Long-term debt obligations	$—	$—	$—	$—	$446,180	$775,000
Interest payments	73,937	73,064	73,064	73,064	71,660	136,938
Operating lease obligations (a)	22,580	18,796	15,050	12,519	9,497	15,841
Self-insurance obligations (b)	10,168	10,383	8,833	7,201	6,012	16,451
Pension contributions (c)	10,704	9,570	7,570	9,175	5,400	—
Other contractual obligations (d)	3,232	3,944	3,354	1,811	1,502	13,985
Total	$120,621	$115,757	$107,871	$103,770	$540,251	$958,215

(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 $2.7 million, $2.7 million, $2.4 million, $1.7 million, $1.5 million and $4.5 million for each of the next five fiscal years and thereafter, respectively, and are included in other assets on the consolidated balance sheet.
(c) Amounts represent estimated minimum funding requirements for our pension plan.
(d) 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 $43.3 million, in support of retention levels under our casualty insurance programs and certain lease obligations, which expire periodically through April 3, 2017.

Operating Leases

We lease certain property, plant and equipment for various periods under noncancelable operating leases, including 46% of our vehicle fleet, approximately 26% of our customer service centers and portions of our information systems equipment. Rental expense under operating leases was $29.2 million, $32.7 million and $31.8 million for fiscal 2016, 2015 and 2014, respectively. Future minimum rental commitments under noncancelable operating lease agreements as of September 24, 2016 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 2023, 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. 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 $16.0 million. The fair value of residual value guarantees for outstanding operating leases was de minimis as of September 24, 2016 and September 26, 2015.

Recently Issued Accounting Pronouncements

See Part IV, Note 2 of this Annual Report.

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.

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 ½ 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 24, 2016, the fair value of the interest rate swaps was a net liability of $0.2 million, which is included within other current liabilities with a corresponding unrealized loss reflected in accumulated other comprehensive income.

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 24, 2016.
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 24, 2016 indicates an increase in potential future net losses of $1.0 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.

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 2016					
Revenues	$275,857	$404,140	$205,099	$161,015	$1,046,111
Costs of products sold	92,506	137,009	75,497	56,941	361,953
Gain on sale of business (a)	—	—	9,769	—	9,769
Operating income (loss)	31,344	111,213	(10,780)	(41,371)	90,406
Loss on debt extinguishment (b)	—	292	—	—	292
Net income (loss)	12,266	92,011	(29,598)	(60,239)	14,440
Net income (loss) per Common Unit - basic (c)	$0.20	$1.51	$(0.49)	$(0.99)	$0.24
Net income (loss) per Common Unit - diluted (c)	$0.20	$1.51	$(0.49)	$(0.99)	$0.24
Cash provided by (used in):					
Operating activities	10,351	70,136	48,173	28,448	157,108
Investing activities	(52,505)	(11,399)	14,542	(4,543)	(53,905)
Financing activities	(53,722)	(56,517)	(54,011)	(53,950)	(218,200)
EBITDA (d)	$62,982	$144,071	$21,508	$(8,831)	$219,730
Adjusted EBITDA (d)	$67,192	$145,102	$18,395	$(7,646)	$223,043
Retail gallons sold					
Propane	109,764	161,597	80,184	63,231	414,776
Fuel oil and refined fuels	8,565	13,296	5,771	3,246	30,878
Fiscal 2015					
Revenues	$422,944	$599,389	$220,302	$174,344	$1,416,979
Costs of products sold	187,921	253,667	94,198	57,594	593,380
Operating income (loss)	75,968	171,591	(21,834)	(47,967)	177,758
Loss on debt extinguishment (b)	—	15,072	—	—	15,072
Net income (loss)	55,807	136,634	(40,952)	(67,137)	84,352
Net income (loss) per Common Unit - basic (c)	$0.92	$2.26	$(0.67)	$(1.11)	$1.39
Net income (loss) per Common Unit - diluted (c)	$0.92	$2.24	$(0.67)	$(1.11)	$1.38
Cash provided by (used in):					
Operating activities	33,605	126,332	99,205	65,067	324,209
Investing activities	(11,453)	(10,083)	(8,419)	(6,017)	(35,972)

Financing activities	(52,777)	(68,197)	(53,843)	(53,721)	(228,538)
EBITDA (d)	$108,597	$189,748	$10,896	$(13,261)	$295,980
Adjusted EBITDA (d)	$101,005	$214,316	$12,067	$6,651	$334,039
Retail gallons sold					
Propane	134,534	199,690	77,633	68,515	480,372
Fuel oil and refined fuels	11,261	19,898	6,181	4,538	41,878

(a) On April 22, 2016, we sold certain assets and operations in a non-strategic market of the propane segment for $26.0 million, including $5.0 million of non-compete consideration that will be received over a five-year period, resulting in a gain of $9.8 million that was recognized during the third quarter of fiscal 2016.

(b) During the second quarter of fiscal 2016, we entered into a Second Amended and Restated Credit Agreement that provides for a five-year $500.0 million revolving credit facility. In connection with the Amended Credit Agreement, we recognized a non-cash charge of $0.3 million to write-off a portion of unamortized debt origination costs of the previous credit agreement. During the second quarter of fiscal 2015, we repurchased and satisfied and discharged all of our 2020 Senior Notes with net proceeds from the issuance of the 2025 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 $15.1 million consisting of $11.1 million for the redemption premium and related fees, as well as the write-off of $2.9 million and $1.1 million in unamortized debt origination costs and unamortized discount, respectively.

(c) 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.

(d) EBITDA represents net income before deducting interest expense, income taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA excluding the unrealized net gain or loss on mark-to-market activity for derivative instruments and other items, as applicable, as provided in the table below. Our management uses EBITDA and Adjusted EBITDA as supplemental measures of operating performance and we are including them because we believe that they provide our investors and industry analysts with additional information to evaluate our operating results. 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 our calculations of EBITDA and Adjusted EBITDA:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Fiscal 2016					
Net income (loss)	$12,266	$92,011	$(29,598)	$(60,239)	$14,440
Add:					
Provision for income taxes	185	58	180	165	588
Interest expense, net	18,893	18,852	18,638	18,703	75,086
Depreciation and amortization	31,638	33,150	32,288	32,540	129,616
EBITDA	62,982	144,071	21,508	(8,831)	219,730
Unrealized (non-cash) (gains) losses on changes in fair value of derivatives	1,210	739	56	(815)	1,190
Gain on sale of business	—	—	(9,769)	—	(9,769)
Multi-employer pension plan withdrawal charge	—	—	6,600	—	6,600
Product liability settlement	3,000	—	—	—	3,000
Pension settlement charge	—	—	—	2,000	2,000
Loss on debt extinguishment	—	292	—	—	292
Adjusted EBITDA	$67,192	$145,102	$18,395	$(7,646)	$223,043
Fiscal 2015					
Net income (loss)	$55,807	$136,634	$(40,952)	$(67,137)	$84,352
Add:					
Provision for income taxes	162	174	185	179	700
Interest expense, net	19,999	19,711	18,933	18,991	77,634

Depreciation and amortization	32,629	33,229	32,730	34,706	133,294
EBITDA	108,597	189,748	10,896	(13,261)	295,980
Unrealized (non-cash) losses (gains) on changes in fair value of derivatives	(9,505)	7,433	37	180	(1,855)
Loss on debt extinguishment	—	15,072	—	—	15,072
Integration-related costs	1,913	2,063	1,134	6,432	11,542
Multi-employer pension plan withdrawal charge	—	—	—	11,300	11,300
Pension settlement charge	—	—	—	2,000	2,000
Adjusted EBITDA	$101,005	$214,316	$12,067	$6,651	$334,039

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 and submissions 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 24, 2016. Based on this evaluation, the Partnership's principal executive officer and principal financial officer concluded that as of September 24, 2016, such disclosure controls and procedures were effective to provide the reasonable assurance level described above.

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 24, 2016, 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 24, 2016. 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 (2013)." 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 24, 2016, the Partnership's internal control over financial reporting was effective.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, issued an attestation report dated November 23, 2016 on the effectiveness of our internal control over financial reporting, which is included herein.

ITEM 9B. OTHER INFORMATION

None.

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. All of our current Supervisors, namely Messrs. Harold R. Logan Jr., Lawrence C. Caldwell, Matthew J. Chanin, John D. Collins, Michael A. Stivala, John Hoyt Stookey and Ms. Jane Swift, were elected to their current three-year terms at the Tri-Annual Meeting of our Unitholders held on May 13, 2015.

At its regular meeting on November 15, 2016, our Board of Supervisors, pursuant to authority granted to the Board under the Partnership Agreement, and acting on the recommendation of the Board's Nominating/Governance Committee, increased the size of the Board from eight (8) Supervisors to nine (9) Supervisors, effective January 1, 2017. At the same meeting and again pursuant to authority granted to the Board under the Partnership Agreement and in accordance with the recommendation of its Nominating/Governance Committee, the Board elected Messrs. Terence J. Connors and William M. Landuyt to fill the two vacancies on the Board following the increase in size of the Board, effective January 1, 2017. Messrs. Connors and Landuyt were each elected for a term due to expire at the next Tri-Annual Meeting of our Unitholders, currently planned for Spring 2018. At this time neither Mr. Connors nor Mr. Landuyt has been named to any Board committees.

Three Supervisors, who are not officers or employees of the Partnership or its subsidiaries, currently serve on the Audit Committee with 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.

The Board of Supervisors has determined that all three current members of the Audit Committee, John D. Collins, Lawrence C. Caldwell and Jane Swift, are 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.

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

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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 23, 2016 and with respect to Terence J. Connors and William M. Landuyt, who have been elected to become members of the Board of Supervisors as of January 1, 2017. Officers are appointed by the Board of Supervisors for one year terms and Supervisors (other than those elected by the Board to fill vacancies) are elected by the Unitholders for three year terms.

Name	Age	Position With the Partnership
Michael A. Stivala	47	President and Chief Executive Officer; Member of the Board of Supervisors
Michael A. Kuglin	46	Chief Financial Officer & Chief Accounting Officer
Paul Abel	63	Senior Vice President, General Counsel and Secretary
Steven C. Boyd	52	Senior Vice President – Operations
Douglas T. Brinkworth	55	Senior Vice President – Product Supply, Purchasing & Logistics
Neil E. Scanlon	51	Senior Vice President – Information Services
A. Davin D’Ambrosio	52	Vice President and Treasurer
Keith P. Onderdonk	52	Vice President – Operational Support
Sandra N. Zwickel	50	Vice President – Human Resources
Daniel S. Bloomstein	43	Controller
Harold R. Logan, Jr.	72	Member of the Board of Supervisors (Chairman)
John Hoyt Stookey	86	Member of the Board of Supervisors
John D. Collins	78	Member of the Board of Supervisors (Chairman of the Audit Committee)
Jane Swift	51	Member of the Board of Supervisors
Lawrence C. Caldwell	70	Member of the Board of Supervisors
Matthew J. Chanin	62	Member of the Board of Supervisors (Chairman of the Compensation Committee)
Terence J. Connors	61	Member of the Board of Supervisors
William M. Landuyt	61	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 fifteen 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 seven years, which day to day leadership roles have provided him with intimate knowledge of our operations.

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 as 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 – Operations since September 2015 and before that was our Senior Vice President – Field Operations since April 2014. Previously he was our Vice President – Field Operations (formerly Vice President – Operations) since October 2008, 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. 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.

Mr. Onderdonk has served as our Vice President – Operational Support since November 2015 and before that was our Assistant Vice President – Financial Planning and Analysis since November 2013. Prior to that, he served as our Managing Director, Financial Planning and Analysis from November 2010 to November 2013. Mr. Onderdonk joined the Partnership in September 2001 after fourteen years in the consumer products 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.

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 InfraREIT, Inc., 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 ten 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 Chemical Corporation, a predecessor of the Partnership. He served as non-executive Chairman and a Director of Quantum from its acquisition by Hanson plc, a global diversified industrial conglomerate, 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 currently 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. 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 forty 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.

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, The Young Writers Project and Sally Ride Science Inc. Ms. Swift currently serves on several not-for-profit boards, including the National Alliance for Public Charter Schools and Vermont PBS; and on the advisory boards of School of Leadership Afghanistan and Vote, Run, Lead. 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 currently 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 the Finance Committee 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 two 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 compensation committee for a private company board. Mr. Chanin has earned an MBA and is a Chartered Financial Analyst.

Mr. Connors will commence service as a Supervisor on January 1, 2017. Mr. Connors retired in September 2015 from KPMG LLP after nearly forty years in public accounting. Prior to joining KPMG in 2002 he was a partner with another large international accounting firm. During his career, he served as a senior audit and global lead partner for numerous public companies, including Fortune 500 companies. At KPMG he was a professional practice partner, SEC Reviewing Partner and was elected to serve as a member of KPMG’s board of directors (2011-2015), where he chaired the Audit, Finance & Operations Committee. Mr. Connors currently serves as a director and audit committee chairman of the largest privately-held automotive parts remanufacturer in the world.

Mr. Connors’ qualifications to sit on our Board include his extensive experience as a lead audit partner for numerous public companies across a variety of industries, which enables him to provide helpful insights to the Board in connection with its oversight of financial, accounting and internal control matters.

Mr. Landuyt will commence service as a Supervisor on January 1, 2017. Since 2003, Mr. Landuyt has served as a Managing Director at Charterhouse Equity Partners, LLC, a private equity firm with a focus on build-ups, management buyouts, and growth capital investments primarily in the business services and healthcare services sectors, and has served on the Boards of Directors of a number of portfolio companies of that firm. From 1996 to 2003, Mr. Landuyt served as Chairman of the Board, President and Chief Executive Officer of Millennium Chemicals, Inc. ("Millennium"), and from 1983 to 1996 he served in several senior executive positions with Hanson Industries ("Hanson," the US subsidiary of Hanson plc), including Vice President and Chief Financial Officer and ultimately Director, President and Chief Executive Officer. Hanson and Millennium were both previous owners of the Partnership or its predecessor through 1996 and 1999, respectively. He joined Hanson after spending six years as a Certified Public Accountant and auditor at Price Waterhouse & Co., where he rose to the position of Senior Manager. Mr. Landuyt has previously served on the Boards of Directors (including their Audit and Compensation Committees) of public companies, including Bethlehem Steel Corp., MxEnergy Holdings, Inc., a leading retail marketer of natural gas and electricity contracts, and Top Image Systems, Inc. Mr. Landuyt is also the Co-Founder and Executive Director of Celtic Charms, Inc., a non-profit therapeutic horsemanship center serving people with physical and cognitive disabilities and disorders.

Mr. Landuyt's qualifications to sit on our Board include forty years of financial and executive management experience for both public and private companies, including extensive experience with mergers and acquisitions and corporate governance. Additionally, his specific responsibility for supervision of the Partnership's predecessors, as well as his subsequent board-level involvement in the distribution, petrochemical and retail energy sectors through Charterhouse's investments in those sectors, gives Mr. Landuyt extensive expertise in areas directly relevant to the business of the Partnership.

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 2016.

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 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

Three Supervisors, who are not officers or employees of the Partnership or its subsidiaries, currently serve on the Compensation Committee. The Board of Supervisors has determined that all three current members of the Compensation Committee, Matthew J. Chanin, Harold R. Logan, Jr. and John Hoyt Stookey, are independent.

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 2016, the Compensation Committee independently retained Willis Towers Watson ("Towers Watson"), a human resources consulting firm, formerly known as Towers Watson & Co., to assist the Compensation Committee in developing competitive compensation packages for the Partnership's executive officers. See Item 11 below.

Nominating/Governance Committee Charter

The Nominating/Governance Committee participates in Board succession planning and development and identifies individuals qualified to become Board members, recommends to the Board the persons to be nominated for election as Supervisors at any Tri-Annual Meeting of the Unitholders and the persons (if any) to be elected by the Board to fill any vacancies on the Board, develops and recommends to the Board changes to the Partnership's Corporate Governance Guidelines and Principles when appropriate, and oversees the annual evaluation of the Board. The Committee's current members are Harold R. Logan, Jr. (its Chairman), Lawrence C. Caldwell, Matthew J. Chanin, John D. Collins, John Hoyt Stookey and Jane Swift, all of whom are independent in accordance with our Corporate Governance Guidelines and Principles and the rules of the NYSE.

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 2015, our Chief Executive Officer, Michael A. Stivala, submitted his Annual CEO Certification to the NYSE without qualification.

ITEM 11. EXECUTIVE COMPENSATION
Compensation Discussion and Analysis

This Compensation Discussion and Analysis ("CD&A") explains our executive compensation philosophy, policies and practices with respect to those executive officers of the Partnership identified below whom we collectively refer to as our "named executive officers":

Name	Position
Michael A. Stivala	President and Chief Executive Officer
Michael A. Kuglin	Chief Financial and Chief Accounting Officer
Steven C. Boyd	Senior Vice President – Field Operations
Douglas T. Brinkworth	Senior Vice President Product Supply, Purchasing and Logistics
Paul Abel	Senior Vice President, General Counsel and Secretary
Mark Wienberg	Former Chief Development Officer*

*Effective May 26, 2016, Mr. Wienberg is no longer employed by the Partnership. For details regarding Mr. Wienberg's severance arrangement with the Partnership, please refer to the section below titled "Severance Benefits."

Key Topics Covered in our CD&A

The following table summarizes the main areas of focus in the CD&A:

Compensation Governance
Participants in the Compensation Process
The Annual Compensation Decision Making Process
Risk Mitigation Policies
Executive Compensation Philosophy
Overview
Pay Mix
Components of Compensation
Base Salary
Annual Cash Bonus
Long-Term Incentive Plan
Restricted Unit Plan
Benefits and Perquisites

Compensation Governance

Participants in the Compensation Process

Role of the Compensation Committee

The Compensation Committee of our Board of Supervisors (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 Committee establishes and enforces our general compensation philosophy in consultation with our President and Chief Executive Officer.

Among other duties, the Committee has overall responsibility for:

- Reviewing and approving the compensation of our President and Chief Executive 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;
- Evaluating and approving our annual cash bonus plan, Long-Term Incentive Plan, and grants under our Restricted Unit Plan, 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.

Role of the 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, grants of restricted units under the Partnership's Restricted Unit Plan and other adjustments to the compensation packages of the executive officers, other than himself, to the Committee based on market conditions, the Partnership's performance, and individual performance. When recommending individual pay adjustments for the executive officers, Mr. Stivala, our President and Chief Executive Officer, presents the Committee with information comparing each executive officer's current compensation to the mean compensation figures for comparable positions included in benchmarking data utilized by the Committee.

Role of Outside Consultants

Prior to each Committee meeting at which executive compensation packages are reviewed, members of the Committee are provided with benchmarking data from the Mercer Human Resource Consulting, Inc. ("Mercer") database for comparison. The Committee's sole use of the Mercer database is to compare and contrast our executives' current base salaries and total direct compensation to the data provided in the Mercer benchmarking database. 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. Therefore, prior to the Committee's meetings, neither the Committee members nor our President and Chief Executive Officer met with representatives from Mercer.

In addition to using the benchmark data from the Mercer benchmarking database, the Committee has utilized, since fiscal 2013, the services of Willis Towers Watson ("Towers Watson"), a human resources consulting firm, formerly known as Towers Watson & Co. During fiscal 2013, Towers Watson reviewed our Long-Term Incentive and Restricted Unit Plans, which resulted in revisions to our cash bonus plan and Long-term Incentive Plan, and an alteration of the vesting schedule of our Restricted Unit Plan. In fiscal 2014, Towers Watson provided the Committee with assistance in developing competitive compensation packages for those executive officers identified by the Committee as our senior level executive officers (including all of our present named executive officers). The recommendations that Towers Watson put forth to the Committee in 2014 were considered in the development of the respective fiscal 2015 compensation packages for each of our named executive officers. Similarly, in developing the fiscal 2016 compensation packages for each of our named executive officers, the Committee again retained the services of Towers Watson to benchmark the base salaries and total direct compensation of our executive officers compared to comparable positions, using market data for similarly-sized companies which was developed by Towers Watson from multiple survey sources across several industries, inclusive of other energy companies in the United States.

Our Unitholders: Say-on-Pay

At their 2015 Tri-Annual Meeting, our Unitholders overwhelmingly approved an advisory resolution approving executive compensation (commonly referred to as "Say-on-Pay"). As a result, the Committee has determined that no major revisions of its executive compensation practices are required. However, the Committee periodically evaluates its compensation practices for possible improvement. The following represents the 2015 Say-on-Pay voting results:

For	Against	Abstain

			Broker Non-Votes
28,802,659	1,712,622	613,603	22,303,948

The Annual Compensation Decision Making Process

Fiscal 2016 Committee Meetings

The Committee holds three regularly-scheduled meetings during the fiscal year: one in November, one in January and one in July, and may meet at other times during the year as warranted. It finalized the fiscal year 2016 compensation packages for each of our named executive officers at its November 10, 2015 meeting.

As in past fiscal years and as referred to above, the Committee was provided with a comprehensive analysis of each senior executive's past and current compensation - including benchmarking data for comparison - to enable it to assess and determine each executive's compensation package for fiscal 2016. The Committee considered a number of factors in establishing the fiscal 2016 executive compensation packages, including, but not limited to, experience, scope of responsibility and individual performance.

The benchmarking data provided to the Committee for fiscal 2016 was derived from the Mercer database containing information obtained from surveys of over 3,000 organizations and approximately 1,400 positions which may or may not include similarly-sized national propane marketers for the reasons stated below. The use of the Mercer database provides a broad base of compensation benchmarking information for companies of similar size to the Partnership.

Prior to making its decisions regarding each named executive officer's fiscal 2016 compensation package, the Committee reviewed the total cash compensation opportunity that was provided to each named executive officer during the previously completed fiscal year. "Total cash compensation opportunity" consists of base salary, an annual cash bonus, and cash settled long-term incentives. The Committee then compared each named executive officer's total cash compensation opportunity to the total mean cash compensation opportunity for the parallel position in the Mercer database. In addition, the Committee retained the services of Towers Watson to benchmark the base salaries and total direct compensation of our executive officers compared to comparable positions, using market data for similarly-sized companies which was developed by Towers Watson from multiple survey sources across several industries, inclusive of other energy companies in the United States. The Committee then based its final decisions on both the recommendations made by Towers Watson and on the information contained in the Mercer benchmarking database.

Our Approach to Setting Compensation Packages

In reviewing and determining the compensation packages of our named executive officers, the Committee considers a number of factors related to each executive, including, but not limited to, years of experience in current position, scope and level of responsibility, influence over the affairs of the Partnership and individual performance. The relative importance assigned to each of these factors by the Committee may differ from executive to executive and from year to year. As a result, different weights may be given to different components of compensation among each of our named executive officers.

As previously stated, the Committee is provided with benchmarking data for comparison. This benchmarking data is just one of a number of factors considered by the Committee, but is not necessarily the most persuasive factor. The Committee compares total cash compensation opportunities, comprising base salary and annual cash bonuses, as well as total direct compensation (which includes opportunities under our Long-Term Incentive Plan and Restricted Unit Plan awards) to the total mean cash compensation opportunity and total direct compensation opportunity for the parallel position in the benchmark information reviewed.

Compensation Peer Group

The Committee bases its benchmarking on a broad base of companies of similar size to the Partnership, and does not rely solely on a peer group of other propane marketers. The Committee takes 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 seeking similarly skilled employees requires a broader review of the market. Furthermore, similarly-sized propane marketers (of which there are only two) compete for executives in vastly different economic environments. The compensation packages of the named executive officers of Ferrellgas Partners, L.P. and AmeriGas Partners, L.P. were included in the benchmarking study provided by Towers Watson for fiscal 2016 and was reviewed by the Committee as part of its decision-making process. This benchmarking approach has been in place for a number of years.

Risk Mitigation Policies

Equity Holding Policy

Effective April 22, 2010, the Committee adopted an Equity Holding Policy which establishes guidelines for the level of Partnership equity holdings that members of the Board and our executive officers are expected to maintain. Effective November 11, 2015, the Committee approved an amendment to the Equity Holding Policy to increase the equity holding requirement for members of our Board of Supervisors from two times their annual fees to three times their annual fees.

The Partnership's equity holding requirements for the specified positions are currently as follows:

Position	Amount
Member of the Board of Supervisors	3 x Annual Fee
President and Chief Executive Officer	5 x Base Salary
Chief Financial Officer	3 x Base Salary
Senior Vice President	2.5 x Base Salary
Vice President	1.5 x Base Salary
Assistant Vice President	1 x Base Salary
Managing Director	1 x Base Salary

As of the January 2, 2016 measurement date, the amounts of units held by Mr. Stivala and by Mr. Kuglin were less than the amount noted above for their respective positions. This was the first time since adoption of the Equity Holding Policy that any of our executives held less than the applicable amount outlined in the policy. After a careful review of the circumstances, the Committee concluded that these shortfalls were attributable to the precipitous decline in the trading price of our Common Units leading up to the measurement date, similar to the trading performance of other master limited partnerships during that time. Later in 2016, the trading price of our Common Units increased and these named executive officers returned to compliance with the Equity Holding Policy.

The Equity Holding Policy can be accessed through a link on our website at www.suburbanpropane.com under the "Investors" tab.

Incentive Compensation Recoupment Policy

Upon recommendation by the Committee, on April 25, 2007, the Board of Supervisors adopted an Incentive Compensation Recoupment Policy that permits the Committee to seek reimbursement from certain executives of the Partnership of incentive compensation (i.e., payments made pursuant to the annual cash bonus plan and the Long-Term Incentive Plan) paid to those executives in connection with any fiscal year for which there is a significant restatement of the published financial statements of the Partnership triggered by a material accounting error, which results in less favorable results than those originally reported. Such reimbursement can be sought from executives even if they were not personally responsible for the restatement. In addition to the foregoing, if the Committee determines that any fraud or intentional misconduct by an executive was a contributing factor to the Partnership having to make a significant restatement, then the Committee is authorized to take appropriate action against such executive, including disciplinary action, up to, and including, termination, and requiring reimbursement of all, or any part, of the compensation paid to that executive in excess of that executive's base salary, including cancellation of any unvested restricted units.

The Incentive Compensation Recoupment Policy is available on our website at www.suburbanpropane.com under the "Investors" tab.

Executive Compensation Philosophy

Overview

Our executive compensation program is underpinned by two core objectives:

- To attract and retain talented executives who have the skills and experience required to achieve our goals; and
- To align the short-term and long-term interests of our executive officers with those of our Unitholders.

We accomplish these objectives by providing our executives with compensation packages that combine various components, specifically linked to either short-term or long-term performance measures, and that encourage equity ownership in the Partnership. 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:

Component	Purpose	Features
Base Salary	• To reward individual performance, experience and scope of responsibility • To be competitive with market pay practices	• Reviewed and approved annually • Market benchmarked • Mean market salary data is considered in determining levels
Annual cash incentive	• Drive and reward the delivery of financial and operating performance during a particular fiscal year	• Paid in cash • Based solely on annual EBITDA performance compared to budgeted EBITDA
Long-term incentives	• To ensure alignment of interests with the long-term goals of Unitholders • To reward activities and practices that are conducive to sustainable, profitable growth and long-term value creation • To attract and retain skilled individuals	• Annual awards of phantom units settled in cash • Measured over a three-year period based on the level of our average distributable cash flow over such three-year measurement period
Restricted units	• Retain the services of the recipient over the vesting period • Further align the long-term interests of the recipient with the long-term interests of our Unitholders through encouragement of equity ownership • To help make up for potential shortfalls in total cash compensation of our executive officers when compared to benchmarked total cash compensation • To provide an adequate compensation	• No pre-determined frequency or amounts of awards • Plan provides the Committee flexibility to respond to different facts and circumstances • Awards normally vest in equal thirds on the first three anniversaries of the date of grant • Awards are settled in Common Units

package in connection with an

internal promotion

• To reward outstanding performance

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 a particular 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.

Pay Mix

Under our compensation structure, each executive officer's "total cash compensation opportunity" consists of a mix of base salary, cash bonus and cash-settled long-term incentives. This "mix" 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.

In allocating among these components, in order to align the interests of our senior executive officers - the executive officers having the greatest ability to influence our performance - with the interests of our Unitholders, we consider it crucial to emphasize the performance-based elements of the total compensation opportunities that we provide to them. Therefore, during fiscal 2016, the total cash compensation opportunity for our senior executive officers, including our named executive officers, was at least 50% performance-based under our annual cash bonus and long-term incentive plans, neither of which provide for minimum payments.

The following table summarizes each of these components as a percentage of each named executive officer's total cash compensation opportunity for fiscal 2016:

	Base Salary	Cash Bonus Target	Long-Term Incentive
Michael A. Stivala	40%	40%	20%
Michael A. Kuglin	45%	36%	19%
Steven C. Boyd	45%	36%	19%
Douglas T. Brinkworth	45%	36%	19%
Paul Abel	47%	35%	18%
Mark Wienberg	45%	36%	19%

Components of Compensation

Base Salary

The fiscal 2016 base salary adjustments for the named executive officers and all of our other executive officers were reviewed and approved by the Committee. As was explained in the section above titled "The Annual Compensation Decision Making Process," the Committee compared each named executive officer's total cash compensation opportunity to the total mean cash compensation opportunity for the parallel position in the Mercer benchmarking database. In addition, the Committee retained the services of Towers Watson to benchmark the base salaries and total direct compensation of our executive officers compared to comparable positions, using market data for similarly-sized companies which was developed by Towers Watson from multiple survey sources across several industries, inclusive of other energy companies in the United States. The Committee then based its final decisions on both the recommendations made by Towers Watson and on the information contained in the Mercer benchmarking database.

The following base salaries were in effect during fiscal 2016 and fiscal 2015 for our named executive officers:

	Fiscal 2016 Base Salary	Fiscal 2015 Base Salary