FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

FOR THE QUARTERLY PERIOD ENDED MAY 31, 2002

OR

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

FOR THE TRANSITION PERIOD FROM ---------- to ----------

COMMISSION FILE NUMBER 1-11727

HERITAGE PROPANE PARTNERS, L.P.
(Exact name of registrant as specified in its charter)

DELAWARE	73-1493906
(state or other jurisdiction or incorporation or organization)	(I.R.S. Employer Identification No.)

8801 SOUTH YALE AVENUE, SUITE 310
TULSA, OKLAHOMA 74137
(Address of principal executive offices and zip code)

(918) 492-7272
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

At July 10, 2002, the registrant had units outstanding as follows:

Heritage Propane Partners, L.P.	15,815,847	Common Units

FORM 10-Q

HERITAGE PROPANE PARTNERS, L.P.

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PART I - FINANCIAL INFORMATION

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)

	May 31, 2002 (unaudited)	August 31, 2001
ASSETS		
CURRENT ASSETS:		
Cash	$ 4,357	$ 5,620
Marketable securities	4,550	4,245
Accounts receivable, net of allowance for doubtful accounts	36,359	40,221
Inventories	39,416	66,814
Assets from liquids marketing	831	6,465
Prepaid expenses and other	3,476	14,898
Total current assets	88,989	138,263
PROPERTY, PLANT AND EQUIPMENT, net	396,917	394,742
INVESTMENT IN AFFILIATES	8,519	6,920
INTANGIBLES AND OTHER ASSETS, net	220,539	218,242
Total assets	$ 714,964	$ 758,167
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Working capital facility	$ --	$ 19,900
Accounts payable	34,411	43,164
Accounts payable to related companies		

5,686 7,937
Accrued and
other
current
liabilities
18,562
33,404
Liabilities
from liquids
marketing
738 7,130
Current
maturities
of long-term
debt 16,929
16,120 -----
------- ----

Total
current
liabilities
76,326
127,655
LONG-TERM
DEBT, less
current
maturities
436,258
423,748
MINORITY
INTEREST
3,838 5,350
COMMITMENTS
AND
CONTINGENCIES

Total
liabilities
516,422
556,753 ----
-------- ---

PARTNERS'
CAPITAL:
Common
unitholders
(15,805,847
and
14,260,316
units issued
and
outstanding
at May 31,
2002 and
August 31,
2001,
respectively)
199,472
190,548
Class B
subordinated
unitholders
(1,382,514
units issued
and
outstanding
at August
31, 2001) --
15,532 Class
C
unitholders
(1,000,000
units issued
and
outstanding)
-- --
General
partner
1,849 1,875
Accumulated
other
comprehensive
loss (2,779)
(6,541) ----
-------- ---

Total
partners'

capital
198,542
201,414 ----
-------- ---

Total
liabilities
and
partners'
capital $
714,964 $
758,167
============
============

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per unit and unit data)
(unaudited)

	Three Months Ended May 31, 2002	Three Months Ended May 31, 2001	Nine Months Ended May 31, 2002	Nine Months Ended May 31, 2001
REVENUES:				
Retail fuel	$ 82,312	$ 87,254	$ 317,941	$ 386,235
Wholesale fuel	8,865	10,199	35,992	52,948
Liquids marketing	40,113	26,073	138,259	152,155
Other	11,348	8,627	42,184	33,419
Total revenues	142,638	132,153	534,376	624,757
COSTS AND EXPENSES:				
Cost of products sold	52,303	59,835	209,681	268,480
Liquids marketing	38,629	26,019	138,407	150,265
Operating expenses	33,823	28,902	100,624	96,008
Depreciation and amortization	9,910	10,499	28,574	30,322
Selling, general and administrative	3,539	4,422	9,648	14,003
Total costs and expenses	138,204	129,677		

486,934
559,078 -----
------- -----
------- -----
------- -----

OPERATING
INCOME 4,434
2,476 47,442
65,679 OTHER
INCOME
(EXPENSE):
Interest
expense
(9,205)
(8,756)
(27,924)
(26,423)
Equity in
earnings of
affiliates
430 368 1,599
1,568 Gain on
disposal of
assets 227
299 942 502
Other (150)
(281) (342)
(443) -------
----- -------
----- -------
----- -------
----- INCOME
(LOSS) BEFORE
MINORITY
INTEREST
(4,264)
(5,894)
21,717 40,883
Minority
interest (55)
49 (685)
(1,435) -----
------- -----
------- -----
------- -----
------- NET
INCOME (LOSS)
(4,319)
(5,845)
21,032 39,448
GENERAL
PARTNER'S
INTEREST IN
NET INCOME
(LOSS) 174
396 861 849 -
----------- -
----------- -
----------- -

LIMITED
PARTNERS'
INTEREST IN
NET INCOME
(LOSS) $
(4,493) $
(6,241) $
20,171 $
38,599
============
============
============
============
BASIC NET
INCOME (LOSS)
PER LIMITED
PARTNER UNIT
$ (.28) $
(.48) $ 1.28
$ 2.97
============
============
============
============
BASIC
WEIGHTED
AVERAGE
NUMBER OF

UNITS
OUTSTANDING
15,805,847
12,981,442
15,713,694
12,980,606
============
============
============
============
DILUTED NET
INCOME PER
LIMITED
PARTNER UNIT
$ (.28) $
(.48) $ 1.28
$ 2.97
============
============
============
============
DILUTED
WEIGHTED
AVERAGE
NUMBER OF
UNITS
OUTSTANDING
15,805,847
12,981,442
15,754,704
13,011,546
============
============
============
============

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands, unaudited)

	Three Months Ended May 31, 2002	Three Months Ended May 31, 2001	Nine Months Ended May 31, 2002	Nine Months Ended May 31, 2001
Net income (loss)	$ (4,319)	$ (5,845)	$ 21,032	$ 39,448
Other comprehensive income				
Unrealized loss on derivative instruments	--	(1,060)	--	(2,645)
Unrealized gain (loss) on available-for-sale securities	(87)	292	(702)	(93)
Comprehensive income	$ (4,406)	$ (6,613)	$ 20,330	$ 36,710
RECONCILIATION OF ACCUMULATED OTHER COMPREHENSIVE INCOME(LOSS)				
Balance, beginning of period	$ (3,850)	$ 164	$ (6,541)	$ --
Cumulative effect of the adoption of SFAS 133	--	--	--	5,429
Current period reclassification to earnings	1,158	(549)	7,016	(3,844)
Current period change	(87)	(2,353)	(3,254)	(4,323)
Balance, end of period	$ (2,779)	$ (2,738)	$ (2,779)	$ (2,738)

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(in thousands, except unit data)
(unaudited)

Number of
Units ------

- Class B
Class B
Common
Subordinated
Class C
Common
Subordinated
Class C ----
------- ----
--------- --
--------- --

BALANCE,
AUGUST 31,
2001
14,260,316
1,382,514
1,000,000 $
190,548 $
15,532 $ --
Unit
distribution
-- -- --
(28,082)
(1,746) --
Conversion
of phantom
units 1,750
-- -- -- --
--
Conversion
of
subordinated
units
1,382,514
(1,382,514)
-- 15,137
(15,137) --
Issuance of
units upon
conversion
of minority
interest
162,913 -- -
- 1,729 -- -
- General
partner
capital
contribution
(1,646) -- -
- (32) -- --
Other -- --
-- 1,352 --
-- Net
change in
accumulated
other
comprehensive
loss per
accompanying
statements -
- -- -- -- -
- -- Net
income -- --
-- 18,820
1,351 -- ---
-------- ---
---------- -
---------- -

BALANCE, MAY
31, 2002
15,805,847 -
- 1,000,000
$ 199,472 $
-- $ --
===========
=============
===========
=============
===========
============
Accumulated
Other
General
Comprehensive
Partner Loss
Total ------
----- ------
------- ----

BALANCE,
AUGUST 31,
2001 $ 1,875
$ (6,541) $
201,414 Unit
distribution
(919) --
(30,747)
Conversion
of phantom
units -- --
--
Conversion
of
subordinated
units -- --
-- Issuance
of units
upon
conversion
of minority
interest --
-- 1,729
General
partner
capital
contribution
32 -- --
Other -- --
1,352 Net
change in
accumulated
other
comprehensive
loss per
accompanying
statements -
- 3,762
3,762 Net
income 861 -
- 21,032 ---
-------- ---
---------- -

BALANCE, MAY
31, 2002 $
1,849 $
(2,779) $
198,542
===========
=============
===========

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended May 31, 2002	Nine Months Ended May 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 21,032	$ 39,448
Reconciliation of net income to net cash provided by operating activities-		
Depreciation and amortization	28,574	30,322
Provision for loss on accounts receivable	1,030	2,739
Gain on disposal of assets	(942)	(502)
Deferred compensation on restricted units and long term incentive plan	1,409	825
Undistributed earnings of affiliates	(1,599)	(1,437)
Minority interest	154	436
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	3,258	(10,511)
Inventories	26,449	(4,403)
Assets from liquids marketing	5,633	1,387
Prepaid and other expenses	11,277	(2,458)
Intangibles and other assets	(666)	328
Accounts payable	(10,589)	5,213
Accounts		

payable to
related
companies
(2,251)
(5,760)
Accrued and
other current
liabilities
(10,876)
(3,033)
Liabilities
from liquids
marketing
(6,393)
(1,247) -----
------- -----
------- Net
cash provided
by operating
activities
65,500 51,347

CASH FLOWS
FROM
INVESTING
ACTIVITIES:
Cash paid for
acquisitions,
net of cash
acquired
(16,886)
(48,789)
Capital
expenditures
(20,020)
(17,417)
Proceeds from
the sale of
assets 11,138
1,773 Other
(854) (7,072)

Net cash used
in investing
activities
(26,622)
(71,505) ----
-------- ----
-------- CASH
FLOWS FROM
FINANCING
ACTIVITIES:
Proceeds from
borrowings
122,850
251,491
Principal
payments on
debt
(132,186)
(208,373)
Unit
distributions
(30,747)
(23,334)
Other (58) --

Net cash
provided
by(used in)
financing
activities
(40,141)
19,784 ------
------ ------

DECREASE IN
CASH (1,263)
(374) CASH,
beginning of
period 5,620
4,845 -------
----- -------
----- CASH,
end of period
$ 4,357 $

4,471
============
============
NONCASH FINANCING ACTIVITIES:
Notes payable incurred on noncompete agreements $ 2,755 $ 2,510
============
============
Issuance of restricted common units $ -- $ 1,600
============
============
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
Cash paid during the period for interest $ 26,362 $ 24,412
============
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The accompanying notes are an integral part of these consolidated financial statements.

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except unit and per unit data)
(unaudited)

1. OPERATIONS AND ORGANIZATION:

The accompanying financial statements should be read in conjunction with Heritage Propane Partners, L.P. and subsidiaries (Heritage or the Partnership) consolidated financial statements as of August 31, 2001, and the notes thereto included in the Partnership's consolidated financial statements included in Form 10-K as filed with the Securities and Exchange Commission on November 29, 2001. The accompanying financial statements include only normal recurring accruals and all adjustments that the Partnership considers necessary for a fair presentation. Due to the seasonal nature of the Partnership's business, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

Heritage Operating, L.P. (the Operating Partnership) sells propane and propane-related products to more than 600,000 active residential, commercial, industrial and agricultural customers in 28 states. Heritage is also a wholesale propane supplier in the southwestern and southeastern United States and in Canada, the latter through participation in M-P Energy Partnership. M-P Energy Partnership is a Canadian partnership engaging in supplying the Partnership's northern U.S. locations and lower-margin wholesale distribution in which Heritage owns a 60 percent interest.

On February 4, 2002, the Partnership's common unitholders, at a special meeting, approved the substitution of U.S. Propane, L.P. (U.S. Propane) as the successor General Partner of the Partnership replacing Heritage Holdings, Inc. Heritage Holdings, Inc. exchanged its general partner interest in Heritage and the Incentive Distribution Rights (which are described in Note 2), for 158,026 common units, and its 1.0101 percent general partner interest in the Operating Partnership for 162,913 common units. The 1.0101 percent limited partner interest in the Operating Partnership owned by U.S. Propane converted to a 1.0101 percent general partner interest in the Operating Partnership and 158,026 of the common units owned by U.S. Propane converted into a 1 percent general partner interest in the Partnership and the Incentive Distribution Rights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BALANCE SHEET DETAIL:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Partnership include the accounts of its subsidiaries, including the Operating Partnership, M-P Energy Partnership, Heritage Service Corp., Guilford Gas Service, Inc., Heritage Energy Resources, L.L.C. ("Resources"), AGL Propane, L.L.C., Peoples Gas Company, L.L.C., United Cities Propane Gas, L.L.C. and Retail Propane Company, L.L.C. (collectively the "Propane LLCs".) Heritage accounts for its 50 percent partnership interest in Bi-State Partnership, another propane retailer, under the equity method. All significant intercompany transactions and accounts have been eliminated in consolidation. For purposes of maintaining partner capital accounts, Heritage's partnership agreement specifies that items of income and loss shall be allocated among the partners in accordance with their percentage interests. Normal allocations according to percentage interests are made, however, only after giving effect to any priority income allocations in an amount equal to the incentive distributions that are allocated 100 percent to the General Partner. At May 31, 2002, as successor General Partner, U.S. Propane's 1.0101 percent general partner interest in the Operating Partnership was accounted for in the consolidated financial statements as a minority interest. For the nine months ended May 31, 2001, Heritage Holdings, Inc.'s 1.0101 percent general partner interest and U.S. Propane's 1.0101 percent limited partner interest in the Operating Partnership were accounted for in the consolidated financial statements as minority interests.

RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform with the 2002 presentation. These reclassifications have no impact on net income or net assets.

ACCOUNTS RECEIVABLE

Heritage grants credit to its customers for the purchase of propane and propane-related products. Accounts receivable consisted of the following:

	May 31, 2002	August 31, 2001
Accounts receivable	$ 39,869	$ 43,797
Less - allowance for doubtful accounts	3,510	3,576
Total, net	$ 36,359	$ 40,221

	May 31, 2002	August 31, 2001
Allowance for doubtful accounts:		
Balance, beginning of the year	$ 3,576	$ --
Provision for loss on accounts receivable	1,030	4,055
Accounts receivable written off, net of recoveries	(1,096)	(479)
Balance, end of period	$ 3,510	$ 3,576

INVENTORIES

Inventories are valued at the lower of cost or market. The cost of fuel inventories is determined using weighted-average cost, while the cost of appliances, parts and fittings is determined by the first-in, first-out method. Inventories consisted of the following:

	May 31, 2002	August 31, 2001
Fuel	$ 30,095	$ 56,975
Appliances, parts and fittings	9,321	9,839
	$ 39,416	$ 66,814

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INCOME (LOSS) PER LIMITED PARTNER UNIT

Basic net income (loss) per limited partner unit is computed by dividing net income (loss), after considering the General Partner's interest, by the weighted average number of common and subordinated units outstanding. Diluted net income (loss) per limited partner unit is computed by dividing net income (loss), after considering the General Partner's interest, by the weighted average number of common and subordinated units outstanding and the weighted average number of restricted units ("phantom units") granted under the Restricted Unit Plan. A reconciliation of net income (loss) and weighted average units used in computing basic and diluted earnings (loss) per unit is as follows:

	Three Months Ended May 31, 2002	Three Months Ended May 31, 2001	Nine Months Ended May 31, 2002	Nine Months Ended May 31, 2001
BASIC NET INCOME (LOSS) PER LIMITED PARTNER UNIT:				
Limited Partners' interest in net income (loss)	$ (4,493)	$ (6,241)	$ 20,171	$ 38,599
Weighted average limited partner units	15,805,847	12,981,442	15,713,694	12,980,606
Basic net income (loss) per limited partner unit	$ (.28)	$ (.48)	$ 1.28	$ 2.97

DILUTED NET INCOME (LOSS) PER LIMITED PARTNER UNIT:

Limited partners' interest in net income (loss)	$ (4,493)	$ (6,241)	$ 20,171	$ 38,599
Weighted average limited partner units	15,805,747	12,981,442	15,713,694	12,980,606
Dilutive effect of phantom units	--	--	41,010	30,940
Weighted average limited partner units, assuming dilutive effect of phantom units	15,805,747	12,981,442	15,754,704	13,011,546
Diluted net income (loss) per limited partner unit	$ (.28)	$ (.48)	$ 1.28	$ 2.97

QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

The partnership agreement requires that Heritage will distribute all of its "available cash" to its unitholders and its General Partner within 45 days following the end of each fiscal quarter, subject to the payment of incentive distributions to the holders of Incentive Distribution Rights to the extent that certain target levels of cash distributions are achieved. The term "available cash" generally means, with respect to any fiscal quarter of the Partnership, all cash on hand at the end of such quarter, plus working capital borrowings after the end of the quarter, less reserves established by the General Partner in its sole discretion to provide for the proper conduct of Heritage's business, to comply with applicable laws or any Heritage debt instrument or other agreement, or to provide funds for future distributions to partners with respect to any one or more of the next four quarters. Available cash is more fully defined in the Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.

Prior to the unitholder vote on February 4, 2002, distributions by Heritage in an amount equal to 100 percent of available cash were made 97 percent to the common and class B subordinated unitholders, 1.0101 percent to U.S. Propane for its limited partner interest in the Operating Partnership and 1.9899 percent to the former General Partner, Heritage Holdings, Inc. After the unitholder vote, distributions by Heritage in an amount equal to 100 percent of available cash will generally be made 98 percent to the common unitholders and 2 percent to U.S. Propane, subject to the payment of incentive distributions to the holders of Incentive Distribution Rights to the extent that certain target levels of cash distributions are achieved.

On October 15, 2001, a quarterly distribution of $.6250 per unit, or $2.50 annually, was paid to unitholders of record at the close of business on October 5, 2001 and to the former General Partner for its general partner interest in the Partnership, its minority interest and its Incentive Distribution Rights. On January 14, 2002,a quarterly distribution of $.6375 per unit, or $2.55 annually, was paid to unitholders of record at the close of business on January 3, 2002 and to the former General Partner for its general partner interest in the Partnership, its minority interest and its Incentive Distribution Rights. On April 15, 2002, a quarterly distribution of $.6375 per unit, or $2.55 annually, was paid to unitholders of record at the close of business on April 4, 2002 and to the General Partner for its general partner interest in the Partnership, its minority interest and its Incentive Distribution Rights. On June 24, 2002, the Partnership declared a cash distribution for the third quarter ended May 31, 2002 of $.6375 per unit, or $2.55 per unit annually, payable on July 15, 2002 to unitholders of record at the close of business on July 8, 2002. These quarterly distributions included incentive distributions payable to the General Partner to the extent the quarterly distribution exceeded $.55 per unit.

SFAS 133 ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). SFAS 133 requires that all derivatives be recognized in the balance sheet as either an asset or liability measured at fair value. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement. Heritage adopted the provisions of SFAS 133 effective September 1, 2000. The cumulative effect of adopting SFAS 133 was an adjustment to accumulated other comprehensive income of $5,429.

Heritage had certain financial swap instruments that settled during the three months ended at May 31, 2002 that were designated as cash flow hedging instruments in accordance with SFAS 133. The swap instruments are a contractual agreement to exchange obligations of money between the buyer and seller of the instruments as propane

volumes during the pricing period are purchased. The swaps are tied to a set fixed price for the buyer and floating price determinants for the seller priced on certain indices at the end of the relevant trading period. Heritage entered into these instruments to hedge the forecasted propane volumes to be purchased during each of the one-month periods ending October 2001 through March 2002. Heritage utilizes hedging transactions to provide price protection against significant fluctuations in propane prices. During the three months and nine months ended May 31, 2002, Heritage reclassified into earnings a loss of $1,158 and $7,016, respectively, that was previously reported in accumulated other comprehensive loss. There were no hedges outstanding as of May 31, 2002.

SFAS 142 GOODWILL AND OTHER INTANGIBLE ASSETS

In June 2001, the FASB issued Statement No. 142, Goodwill and Other Intangible Assets. Under Statement No. 142, goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value-based test. Additionally, any acquired intangible assets should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so. There will be more recognized intangible assets, such as unpatented technology and database content, being separated from goodwill. Those assets will be amortized over their useful lives, other than assets that have an indefinite life.

Heritage adopted Statement No. 142 on September 1, 2001 and accordingly has discontinued the amortization of goodwill existing at the time of adoption. Under the provisions of Statement No. 142, Heritage was required to perform a transitional goodwill impairment appraisal within six months from the time of adoption. Management engaged an independent appraisal firm to perform an assessment of the fair value of each of Heritage's operating segments, which were compared with the carrying value of each segment to determine whether any impairment existed on the date of adoption. Heritage has completed the transitional goodwill impairment appraisal and has determined that based on the fair value of Heritage's operating segments, Heritage's goodwill was not impaired as of September 1, 2001. The adoption of Statement No. 142 eliminated goodwill amortization that would have totaled approximately $1,426 and $4,278 for the three and nine months ended May 31, 2002, based on the balances of August 31, 2001, and totaled approximately $1,027 and $3,969 for the three and nine months ended May 31, 2001.

RECENTLY ISSUED ACCOUNTING STANDARD NOT YET ADOPTED

In June 2001, the FASB issued Statement No. 143, Accounting for Asset Retirement Obligations. Statement No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. Heritage will adopt the provisions of Statement No. 143 effective September 1, 2002. Management does not believe that the adoption of Statement No. 143 will have a material impact, if any, on its consolidated financial condition or results of operations.

In August 2001, the FASB issued Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. This statement retains the fundamental provisions of Statement No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used, and measurement of long-lived assets to be disposed of by sale. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years, with early application encouraged. Heritage will adopt the provisions of Statement No. 144 effective September 1, 2002. Management does not believe that the adoption of Statement No. 144 will have a material impact, if any, on its consolidated financial condition or results of operations.

PRO FORMA RESULTS

On July 31, 2001, Heritage purchased the propane operations of ProFlame, Inc. and subsidiaries and affiliates (ProFlame) located in California and Nevada, in a series of mergers, stock purchases and asset purchases. The results of operations of ProFlame are included in the consolidated statement of operations of Heritage for the three and nine months ended May 31, 2002.

The following unaudited pro forma consolidated results of operations are presented as if the series of transactions with ProFlame and Heritage had been made at the beginning of the period presented:

	For the Three Months Ended May 31, 2001	For the Nine Months Ended May 31, 2001
Total revenues	$ 148,632	$ 670,973
Limited partners' interest in net income (loss)	$ (5,967)	$ 40,093
Basic net income (loss) per limited partner unit	$ (.46)	$ 3.09
Diluted net income (loss) per limited partner unit	$ (.46)	$ 3.08

The pro forma consolidated results of operations include adjustments to give effect to amortization of non-competes and customer lists, interest expense on acquisition and assumed debt and certain other adjustments, including the elimination of income taxes. The acquisition of ProFlame was completed after Heritage adopted SFAS 142, therefore there is no amortization of goodwill and intangible assets have been separately identified. The unaudited pro forma information is not necessarily indicative of the results of operations that would have occurred had the transactions been made at the beginning of the period presented or the future results of the combined operations.

3. WORKING CAPITAL FACILITY AND LONG-TERM DEBT:

Effective July 16, 2001, the Operating Partnership entered into the Fifth Amendment to the First Amended and Restated Credit Agreement. The terms of the Agreement as amended are as follows:

A $65,000 Senior Revolving Working Capital Facility, expiring June 30, 2004. There were no amounts outstanding at May 31, 2002. The interest rate and interest payment dates vary depending on the terms Heritage agrees to when the money is borrowed. Heritage must be free of all working capital borrowings for 30 consecutive days each fiscal year. The maximum commitment fee payable on the unused portion of the facility is 0.50 percent.

A $50,000 Senior Revolving Acquisition Facility is available through December 31, 2003, at which time the outstanding amount must be paid in ten equal quarterly installments beginning March 31, 2004, with $14,000 outstanding as of May 31, 2002. The interest rate and interest payment dates vary depending on the terms Heritage agrees to when the money is borrowed. The weighted average interest rate was 3.77 percent for the amount outstanding at May 31, 2002. The maximum commitment fee payable on the unused portion of the facility is 0.50 percent.

4. COMMITMENTS AND CONTINGENCIES

In May 2001, a company that Heritage subsequently acquired received a request for information from the U.S. Environmental Protection Agency (the "EPA") regarding potential contribution to a widespread groundwater contamination problem in San Bernardino, California, known as the Newmark Groundwater Contamination. The EPA has indicated that it believes that a likely source of the groundwater contamination is a former military base. The U.S. Army has been notified of this and is working in a cooperative manner with the EPA. The EPA has not made any final determination regarding the U.S. Army or any other person's liability. Although the groundwater contamination problem appears to be attributable to releases of solvents from the former military base in the 1940's (well before the company facility was constructed in the 1970's), it is possible that EPA may seek to recover all or a portion of groundwater remediation costs from private parties which could include Heritage under the Comprehensive Environmental Response, Compensation, and Liability Act (commonly called "Superfund").

5. REPORTABLE SEGMENTS:

Heritage's financial statements reflect four reportable segments: the domestic retail operations of Heritage, the domestic wholesale operations of Heritage, the foreign wholesale operations of M-P Energy Partnership and the liquids marketing activities of Resources. Heritage's reportable domestic and wholesale fuel segments are strategic business units that sell products and services to different types of users: retail and wholesale customers. Intersegment sales by the foreign wholesale segment to the domestic segment are priced in accordance with the partnership agreement. Resources is a liquids marketing company that buys and sells financial instruments for their own account. Heritage manages these segments separately as each segment involves different distribution, sale and marketing strategies. Heritage evaluates the performance of its operating segments based on operating income. The operating income below does not reflect domestic and foreign selling, general, and administrative expenses of $3,539 and $4,422 for the three months ended May 31, 2002 and May 31, 2001, respectively, or $9,648 and $14,003 for the nine months ended May 31, 2002 and May 31, 2001, respectively. The following table presents the unaudited financial information by segment for the following periods:

	For the Three Months ended May 31,		For the Nine Months ended May 31,	
	2002	2001	2002	2001
Gallons:				
Domestic retail fuel	74,947	68,663	284,195	282,834
Domestic wholesale fuel	3,526	1,823	14,001	11,670
Foreign wholesale fuel				
Affiliated	18,414	25,212	57,229	72,822
Unaffiliated	14,470	18,381	57,462	75,628
Elimination	(18,414)	(25,212)	(57,229)	(72,822)
Total	92,943	88,867	355,658	370,132

Revenues:				
Domestic retail fuel	$ 82,312	$ 87,254	$ 317,941	$ 386,235
Domestic wholesale fuel	1,967	1,548	8,303	9,214
Foreign wholesale fuel				
Affiliated	8,612	15,556	29,128	48,880
Unaffiliated	6,898	8,651	27,689	43,734
Elimination	(8,612)	(15,556)	(29,128)	(48,880)
Liquids marketing	40,113	26,073	138,259	152,155
Other	11,348	8,627	42,184	33,419
Total	$ 142,638	$ 132,153	$ 534,376	$ 624,757

Operating Income (Loss):				
Domestic retail	$ 7,259	$ 6,400	$ 58,817	$ 76,044
Domestic wholesale fuel	(1,182)	(182)	(2,881)	(35)
Foreign wholesale fuel				
Affiliated	147	252	419	685
Unaffiliated	524	402	1,576	2,253
Elimination	(147)	(252)	(419)	(685)
Liquids marketing	1,372	278	(422)	1,420
Total	$ 7,973	$ 6,898	$ 57,090	$ 79,682

	As of May 31, 2002	As of August 31, 2001
Total Assets:		
Domestic retail	$ 674,589	$ 697,947
Domestic wholesale	11,735	19,533
Foreign wholesale	6,627	8,467
Liquids Marketing	6,524	20,086
Corporate	15,489	12,134
Total	$ 714,964	$ 758,167

	For the Three Months ended May 31,		For the Nine Months ended May 31,	
	2002	2001	2002	2001
Depreciation and amortization:				
Domestic retail	$ 9,757	$ 10,487	$ 28,283	$ 30,256
Domestic wholesale	148	8	277	54
Foreign wholesale	5	4	14	12
Total	$ 9,910	$ 10,499	$ 28,574	$ 30,322

6. SIGNIFICANT INVESTEE:

At May 31, 2002, Heritage held a 50 percent interest in Bi-State Partnership. Heritage accounts for its 50 percent interest in Bi-State Partnership under the equity method. Heritage's investment in Bi-State Partnership totaled $8,158 and $6,610 at May 31, 2002 and August 31, 2001, respectively. Heritage received distributions from Bi-State Partnership for the year ended August 31, 2001 of $125. On March 1, 2002, the Operating Partnership sold certain assets acquired in the ProFlame acquisition to Bi-State Partnership for approximately $9,730 plus working capital. There was no gain or loss recorded on the transaction. This sale was made pursuant to the provision in the Bi-State partnership agreement that requires each partner to offer to sell any newly acquired businesses within Bi-State Partnership's area of operations to Bi-State Partnership. In conjunction with this sale, the Operating Partnership guaranteed $5 million of debt incurred by Bi-State Partnership.

Bi-State Partnership's financial position is summarized below:

	May 31, 2002	August 31, 2001
Current assets	$ 4,069	$ 2,783
Noncurrent assets	23,208	13,899
	$ 27,277	$ 16,682
Current liabilities	$ 2,265	$ 1,722
Long-term debt	10,037	3,131
Partners' capital:		
Heritage	8,158	6,610
Other partner	6,817	5,219
	$ 27,277	$ 16,682

Bi-State Partnership's results of operations for the three months and nine months ended May 31, 2002 and 2001, respectively are summarized below:

	For the Three Months ended May 31,		For the Nine Months ended May 31,	
	2002	2001	2002	2001
Revenues	$ 4,910	$ 4,443	$ 14,267	$ 17,207
Gross profit	2,606	1,985	7,390	7,391
Net income:				
Heritage	407	337	1,548	1,503
Other Partner	423	383	1,598	1,643

7. FOOTNOTES INCORPORATED BY REFERENCE:

Certain footnotes are applicable to the consolidated financial statements but would be substantially unchanged from those presented on Form 10-K filed with the Securities and Exchange Commission on November 29, 2001. Accordingly, reference should be made to the Company's Annual Report filed with the Securities and Exchange Commission on Form 10-K for the following:

NOTE	DESCRIPTION
2.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BALANCE SHEET DETAIL
4.	WORKING CAPITAL FACILITY AND LONG-TERM DEBT
5.	COMMITMENTS AND CONTINGENCIES

6. PARTNERS' CAPITAL 7. PROFIT SHARING AND 401(K) SAVINGS PLAN 8. RELATED PARTY TRANSACTIONS

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

FORWARD-LOOKING STATEMENTS

CERTAIN MATTERS DISCUSSED IN THIS REPORT, EXCLUDING HISTORICAL INFORMATION, AS WELL AS SOME STATEMENTS BY HERITAGE IN PERIODIC PRESS RELEASES, INCLUDE CERTAIN "FORWARD-LOOKING" STATEMENTS. ALTHOUGH HERITAGE BELIEVES SUCH FORWARD-LOOKING STATEMENTS ARE BASED ON REASONABLE ASSUMPTIONS AND CURRENT EXPECTATIONS AND PROJECTIONS ABOUT FUTURE EVENTS, NO ASSURANCE CAN BE GIVEN THAT EVERY OBJECTIVE WILL BE REACHED. SUCH STATEMENTS ARE MADE IN RELIANCE ON THE "SAFE HARBOR" PROTECTIONS PROVIDED UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

AS REQUIRED BY THAT LAW, HERITAGE HEREBY IDENTIFIES THE FOLLOWING IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM ANY RESULTS PROJECTED, FORECASTED OR ESTIMATED BY HERITAGE IN FORWARD-LOOKING STATEMENTS. THESE INCLUDE:

- CHANGES IN GENERAL ECONOMIC CONDITIONS IN THE UNITED STATES AS WELL AS CHANGES IN GENERAL ECONOMIC CONDITIONS AND CURRENCIES IN FOREIGN COUNTRIES;

- WEATHER CONDITIONS THAT VARY SIGNIFICANTLY FROM HISTORICALLY NORMAL CONDITIONS;

- ITS SUCCESS IN HEDGING ITS POSITIONS;

- THE EFFECTIVENESS OF RISK-MANAGEMENT POLICIES AND PROCEDURES AND THE ABILITY OF HERITAGE'S LIQUIDS MARKETING COUNTERPARTIES TO SATISFY THEIR FINANCIAL COMMITMENTS;

- THE GENERAL LEVEL OF PETROLEUM PRODUCT DEMAND, AND THE AVAILABILITY OF PROPANE SUPPLIES;

- ENERGY PRICES GENERALLY AND SPECIFICALLY, THE PRICE OF PROPANE TO THE CONSUMER COMPARED TO THE PRICE OF ALTERNATIVE AND COMPETING FUELS;

- COMPETITION FROM OTHER PROPANE DISTRIBUTORS AND ALTERNATE FUELS;

- THE AVAILABILITY AND COST OF CAPITAL;

- CHANGES IN LAWS AND REGULATIONS TO WHICH HERITAGE IS SUBJECT, INCLUDING TAX, ENVIRONMENTAL AND EMPLOYMENT REGULATIONS;

- ITS ABILITY TO GENERATE AVAILABLE CASH FOR DISTRIBUTIONS TO UNITHOLDERS;

- THE COSTS AND EFFECTS OF LEGAL AND ADMINISTRATIVE PROCEEDINGS AGAINST IT OR WHICH MAY BE BROUGHT AGAINST IT;

- ITS ABILITY TO SUSTAIN HISTORICAL LEVELS OF INTERNAL GROWTH; AND

- ITS ABILITY TO CONTINUE TO LOCATE AND ACQUIRE OTHER PROPANE COMPANIES AT PURCHASE PRICES THAT ARE ACCRETIVE TO ITS FINANCIAL RESULTS.

WEATHER AND SEASONALITY

Heritage's propane distribution business is seasonal and dependent upon weather conditions in its service areas. Propane sales to residential and commercial customers are affected by winter heating season requirements. This generally results in higher operating revenues and net income during the period from October through March of each year and lower operating revenues and either net losses or lower net income during the period from April through September of each year. Sales to industrial and agricultural customers are much less weather sensitive.

A substantial portion of Heritage's propane is used in the heating-sensitive residential and commercial markets causing the temperatures realized in Heritage's areas of operations, particularly during the six-month peak-heating season, to have a significant effect on its financial performance. In any given area, sustained warmer-than-normal temperatures will tend to result in reduced propane use, while sustained colder-than-normal temperatures will tend to result in greater propane use. Heritage therefore uses information on normal temperatures in understanding how temperatures that are colder or warmer than normal affect historical results of operations and in preparing forecasts of future operations, which assumes that normal weather will prevail in each of the regions in which it operates.

GENERAL

The retail propane business is a "margin-based" business in which gross profits depend on the excess of sales price over propane supply costs. The market price of propane is often subject to volatile changes as a result of supply or other market conditions over which Heritage will have no control. Product supply contracts are one-year agreements subject to annual renewal and generally permit suppliers to charge posted prices (plus transportation costs) at the time of delivery or the current prices established at major delivery points. Since rapid increases in the wholesale cost of propane may not be immediately passed on to retail customers, such increases could reduce gross profits. Heritage generally has attempted to reduce price risk by purchasing propane on a short-term basis. Heritage has had on occasion purchased significant volumes of propane during periods of low demand, which generally occur during the summer months, at the then current market price, for storage both at its service centers and in major storage facilities for future resale.

The retail propane business of Heritage consists principally of transporting propane purchased in the contract and spot markets, primarily from major fuel suppliers, to its retail distribution outlets and then to tanks located on the customers' premises, as well as to portable propane cylinders. In the residential and commercial markets, propane is primarily used for space heating, water heating and cooking. In the agricultural market, propane is primarily used for crop drying, tobacco curing, poultry brooding and weed control. In addition, propane is used for certain industrial applications, including use as an engine fuel that burns in internal combustion engines that power vehicles and forklifts and as a heating source in manufacturing and mining processes.

Since its formation in 1989, Heritage has grown primarily through acquisitions of retail propane operations and, to a lesser extent, through internal growth. Since its inception through August 31, 2001, Heritage completed 81 acquisitions for an aggregate purchase price approximating $608 million, including the transfer by U.S. Propane of its propane operations to Heritage for $181.4 million, plus working capital of approximately $12.9 million. During the nine months ended May 31, 2002, Heritage completed nine propane acquisitions and one non-propane related acquisition for an aggregate purchase price of $22.1 million. The General Partner believes that Heritage is the fourth largest retail marketer of propane in the United States, based on retail gallons sold. Heritage serves approximately 600,000 customers from over 275 customer service locations in 28 states.

The retail propane distribution business is largely seasonal due to propane's use as a heating source in residential and commercial buildings. Historically, approximately two-thirds of Heritage's retail propane volume and in excess of 80 percent of Heritage's earnings before interest, taxes, depreciation and amortization or EBITDA is attributable to sales during the six-month peak-heating season of October through March. Consequently, sales and operating profits are concentrated in the first and second fiscal quarters. Cash flow from operations, however, is generally greatest during the second and third fiscal quarters when customers pay for propane purchased during the six-month peak-heating season.

Gross profit margins vary according to customer mix. For example, sales to residential customers generate higher margins than sales to certain other customer groups, such as agricultural customers. Wholesale margins are substantially lower than retail margins. In addition, gross profit margins vary by geographical region. Accordingly, a change in customer or geographic mix can affect gross profit without necessarily affecting total revenues.

Amounts discussed below reflect 100 percent of the results of M-P Energy Partnership. M-P Energy Partnership is a general partnership in which Heritage owns a 60 percent interest. Because M-P Energy Partnership is primarily engaged in lower-margin wholesale distribution, its contribution to Heritage's net income is not significant and the minority interest of this partnership is excluded from the EBITDA calculation.

THREE MONTHS ENDED MAY 31, 2002 COMPARED TO THE THREE MONTHS ENDED MAY 31, 2001

Volume. Total retail gallons sold in the three months ended May 31, 2002 were 75.0 million, an increase of 6.3 million over the 68.7 million gallons sold in the three months ended May 31, 2001. The increase primarily is due to volumes added through acquisitions and the quarter ended May 31, 2002 being 19% colder than the same period last year. The Partnership also sold approximately 18.0 million wholesale gallons in this third quarter of fiscal 2002, a decrease of 2.2 million gallons from the 20.2 million wholesale gallons sold in the third quarter of fiscal 2001. U.S. wholesale volumes increased 1.7 million gallons to 3.5 million gallons due to acquisition related volumes while the foreign wholesale volumes of MP Energy Partnership decreased 3.9 million gallons to 14.5 million gallons for the third quarter.

Revenues. Total revenues for the three months ended May 31, 2002 were $142.6 million, an increase of $10.4 million, or 7.9% as compared to $132.2 million in the three months ended May 31, 2001. The current period's domestic retail propane revenues decreased $4.9 million or 5.6% to $82.3 million versus the prior year's revenues of $87.3 million primarily due to lower selling prices in the current period. The U.S. wholesale revenues increased $0.5 million to $2.0 million for the three months ended May 31, 2002 as compared to $1.5 million for the period ended May 31, 2001, due to acquisition related volumes. Other domestic revenues increased by $2.7 million, to $11.3 million as compared to $8.6 million in the prior year as a result of acquisitions. Foreign revenues decreased $1.8 million for the three months ended May 31, 2002 to $6.9 million as compared to $8.7 million for the three months ended May 31, 2001, as a result of lower selling prices and the decreased volumes described above. The liquids marketing activity conducted through Heritage Energy Resources increased $14.0 million to $40.1 million versus the prior year's activity of $26.1 million due to an increase in the volume of contracts sold due to the market conditions during the third quarter of fiscal 2002.

Cost of Products Sold. Total cost of products sold and liquids marketing activities increased to $90.9 million for the three months ended May 31, 2002 as compared to $85.9 million for the three months ended May 31, 2001. The current period's domestic retail cost of sales decreased $7.1 million or 14.7% to $41.1 million as compared to $48.2 million in the prior year as the increase in volumes was more than offset by the lower product cost for the quarter ended May 31, 2002 as compared to the same period last year. The U.S. wholesale cost of sales increased $0.5 million to $1.9 million for the three months ended May 31, 2002 as compared to $1.4 million for the period ended May 31, 2001, primarily due to increased volumes offset by lower wholesale fuel costs. Foreign cost of sales decreased $1.9 million to $6.4 million as compared to $8.3 million in the prior year primarily due to lower volumes. Other cost of sales increased $0.9 million to $2.9 million as compared to $2.0 million for the three months ended May 31, 2001. Liquids marketing cost of sales increased $12.6 million during the three months ended May 31, 2002 to $38.6 million as compared to the prior year's cost of sales of $26.0 million. This increase is primarily due to the increase in the volumes contracts purchased in relation to the increase of contracts sold offset by the decrease in overall product cost as compared to last year.

Gross Profit. Total gross profit for the three months ended May 31, 2002 was $51.7 million as compared to $46.3 million for the three months ended May 31, 2001. For the three months ended May 31, 2002, retail fuel gross profit was $41.2 million, U.S. wholesale was $0.1 million, and other gross profit was $8.4 million, which includes service and tank rental revenues. Foreign wholesale gross profit was $.5 million and liquids marketing was $1.5 million. As a comparison, for the three months ended May 31, 2001, Heritage recorded retail fuel gross profit of $39.1 million, U.S. wholesale was $0.1 million, and other gross profit was $6.6 million. Foreign wholesale gross profit was $0.4 million and liquids marketing gross profit was $0.1 million for the three months ended May 31, 2001.

Operating Expenses. Operating expenses were $33.8 million an increase of $4.9 million, for the three months ended May 31, 2002 as compared to $28.9 million for the three months ended May 31, 2001. The increase in operating expenses relates to increases in employee wages and benefits that normally occur with growth through acquisitions and other acquisition related expense increases.

Selling, General and Administrative. Selling, general and administrative expenses were $3.5 million for the three months ended May 31, 2002, a $0.9 million decrease from the $4.4 million for the same three month period last year. This decrease is primarily related to the executive short-term compensation plan expense that did not reoccur this fiscal year due to the year to date decrease in operating income, offset by non-reoccurring professional fees expensed during the quarter.

Depreciation and Amortization. Depreciation and amortization was $9.9 million in the three months ended May 31, 2002 as compared to $10.5 million in the three months ended May 31, 2001. The decrease is primarily attributable to the fact that goodwill is no longer being amortized effective September 1, 2001 with the adoption of SFAS 142, which would have totaled approximately $1.4 million for the quarter ended May 31, 2002 as compared to $1.0 million recorded in the third quarter of fiscal 2001. This decrease is offset by additional depreciation and amortization of property, plant and equipment, and other intangible assets from businesses acquired since the third quarter of fiscal 2001.

Operating Income. For the three months ended May 31, 2002, Heritage had operating income of $4.4 million as compared to operating income of $2.5 million for the three months ended May 31, 2001. This increase is primarily the result of increased gross profit this quarter and decreased selling, general and administrative expenses and depreciation and amortization offset by the increase in operating expenses.

Net Loss. For the three-month period ended May 31, 2002, Heritage recorded a net loss of $4.3 million, an improvement of $1.5 million as compared to net loss for the three months ended May 31, 2001 of $5.8 million. The decrease is primarily the result of the increase in operating income described above, offset by a slight increase in interest expense of $0.4 million for the quarter.

EBITDA. Earnings before interest, taxes, depreciation and amortization increased $1.5 million, or 10.9% to $15.3 million for the three months ended May 31, 2002, as compared to EBITDA of $13.8 million for the period ended May 31, 2001. This increase is due to the increase in operating income described above exclusive of the decrease in depreciation and amortization and $.4 million of non-cash compensation expense included in the expenses above. Heritage's EBITDA includes the EBITDA of investees, but does not include the EBITDA of the minority interest of M-P Energy Partnership or any non-cash compensation expense. EBITDA should not be considered as an alternative to net income (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations), but provides additional information for evaluating Heritage's ability to make the Minimum Quarterly Distribution.

NINE MONTHS ENDED MAY 31, 2002 COMPARED TO THE NINE MONTHS ENDED MAY 31, 2001

Volume. Total retail gallons sold in the nine months ended May 31, 2002 were 284.2 million, an increase of 1.4 million gallons over the 282.8 million gallons sold in the nine months ended May 31, 2001. U.S. Wholesale gallons were 14.0 million for the nine months ended May 31, 2002 as compared to 11.7 million for the nine months ended May 31, 2001. Foreign gallons decreased 18.1 million for the nine months ended May 31, 2002 to 57.5 million as compared to 75.6 million for the same period last fiscal year. Temperatures in the Partnership's area of operations were an average of 13% warmer than last year and 12% warmer than normal, which offset the volume increases realized from acquisitions not included in the nine months ended May 31, 2001.

Revenues. Total revenues for the nine months ended May 31, 2002 were $534.4 million, a decrease of $90.4 million, or 14.5% as compared to $624.8 million in the nine months ended May 31, 2001. Retail fuel revenues decreased $68.3 million to $317.9 million for the nine months ended May 31, 2002 due primarily due to the decrease in selling prices. Selling prices in all the reportable segments decreased from the same period last year in response to lower supply costs. U.S. wholesale revenues decreased $0.9 million to $8.3 million primarily due to lower selling prices this fiscal year as compared to the same period last fiscal year. Other domestic revenues increased by $8.8 million, or 26.3% to $42.2 million as compared to $33.4 million in the prior nine months as a result of acquisitions. Foreign revenues were $27.7 million for the nine months ended May 31, 2002 as compared to $43.7 million for the nine months ended May 31, 2001, a decrease of $16.0 million primarily due to a combination of decreased volumes and lower selling prices. Liquids marketing revenues decreased $13.9 million to $138.3 million for the nine months ended May 31, 2002 primarily due to an overall reduction in the number of contracts entered into during the nine months ended May 31, 2002 as compared to the same period of fiscal 2001 due to unfavorable market conditions during the peak months and lower selling prices attached to trading contracts.

Cost of Products Sold. Total cost of products sold and liquids marketing activities decreased $70.6 million, or 16.9%, to $348.1 million for the nine months ended May 31, 2002 as compared to $418.7 million for the nine months ended May 31, 2001. Retail fuel cost of sales decreased $44.6 million or 21.3% due to the decreases in the cost of propane for the nine months ended May 31, 2002 being lower as compared to the same time period last year. Although the market price for propane for the nine months ended May 31, 2002 is well below the price for the same period last year, the average cost per gallon sold for the nine months ended May 31, 2002 was higher than market because a higher cost of pre-bought inventory was absorbed into cost of sales throughout the nine months ended May 31, 2002. Foreign cost of sales decreased $15.4 million to $26.1 million for the nine months ended May 31, 2002 due to a lower cost of product this fiscal year and the decreased volumes described above. The liquids marketing cost of sales decreased $11.9 million during the nine months ended May 31, 2002 as compared to the same time period last fiscal year as the volume of contracts purchased during the nine months ended May 31, 2002 declined in relation to the reduced volume of contracts sold coupled with the decreased market price.

Gross Profit. Total gross profit for the nine months ended May 31, 2002 decreased $19.7 million, or 9.6%, to $186.3 million as compared to $206.0 million for the nine months ended May 31, 2001 due to the aforementioned decreases in volumes and revenues described above, offset by the decreases in product costs. For the nine months ended May 31, 2002, retail fuel gross profit was $152.8 million, U.S. wholesale was $0.3 million, and other gross profit was $31.7 million as compared to $176.5 million, $0.7 million and $24.6 million, respectively for the nine months ended May 31, 2001. Foreign wholesale gross profit was $1.6 million and the liquids marketing recorded a gross loss of $0.1 million for the period ended May 31, 2002 as compared to gross profit of $2.3 million and $1.9 million, respectively for the nine months ended May 31, 2001.

Operating Expenses. Operating expenses were $100.6 million for the nine months ended May 31, 2002 as compared to $96.0 million for the nine months ended May 31, 2001. The increase of $4.6 million is primarily the result of the additional operating expenses incurred for employee wages and benefits related to the growth of Heritage from acquisitions since the third quarter of 2001 offset by the decrease in the short-term incentive plan expense for the operating employees due to decreased operating income and the reduced operating expenses related to decreased volumes.

Selling, General and Administrative. Selling, general and administrative expenses were $9.6 million for the nine months ended May 31, 2002 as compared to $14.0 million for the nine months ended May 31, 2001. This decrease is primarily attributable to the additional expenses incurred in the nine months ended May 31, 2001 related to the executive short-term compensation plan that did not reoccur during this fiscal year.

Depreciation and Amortization. Depreciation and amortization decreased $1.7 million to $28.6 million in the nine months ended May 31, 2002 as compared to $30.3 million in the nine months ended May 31, 2001. The decrease is primarily attributable to the fact that goodwill is no longer amortized effective September 1, 2001 with the adoption of SFAS 142, which would have totaled $4.3 million for the nine months ended May 31, 2002 offset by the addition of property, plant and equipment, and intangible assets from the businesses acquired since the third quarter of fiscal 2001. Goodwill amortization for the nine months ended May 31, 2001 was $4.0 million.

Operating Income. For the nine months ended May 31, 2002 Heritage had operating income of $47.4 million as compared to operating income of $65.7 million for the nine months ended May 31, 2001. The decrease of $18.3 million, or 27.7% is due to the related decrease in gross profit described above offset by the decrease in operating and selling, general and administrative expenses and the decrease in depreciation and amortization described above.

Net Income. For the nine-month period ended May 31, 2002, Heritage had net income of $21.0 million, a decrease of $18.4 million as compared to net income for the nine months ended May 31, 2001 of $39.4 million. This decrease is primarily due to the decreased operating income described above, offset by a reduction in minority interest expense due to the change in the general partner described elsewhere in this report, and a gain from the sale of assets.

EBITDA. Earnings before interest, taxes, depreciation and amortization decreased $19.1 million to $79.2 million for the nine months ended May 31, 2002, as compared to the EBITDA of $98.3 million for the period ended May 31, 2001. This decrease is related to the decrease in degree-days realized in the nine months ended May 31, 2002 as compared to the same nine-month period last fiscal year, resulting in reduced operating income. Heritage's EBITDA includes the EBITDA of investees, but does not include the EBITDA of the minority interest of M-P Energy Partnership. EBITDA should not be considered as an alternative to net income (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations), but provides additional information for evaluating Heritage's ability to make the Minimum Quarterly Distribution.

LIQUIDITY AND CAPITAL RESOURCES

The ability of Heritage to satisfy its obligations will depend on its future performance, which will be subject to prevailing economic, financial, business and weather conditions and other factors, many of which are beyond its control. Future capital requirements of Heritage are expected to be provided by cash flows from operating activities. To the extent future capital requirements exceed cash flows from operating activities:

a) working capital will be financed by the working capital line of credit and repaid from subsequent seasonal reductions in inventory and accounts receivable

b) growth capital, expended mainly for customer tanks, will be financed by the revolving acquisition bank line of credit; and

c) acquisition capital expenditures will be financed by the revolving acquisition bank line of credit; other lines of credit, long term debt, issues of additional common units or a combination thereof.

Operating Activities. Cash provided by operating activities during the nine months ended May 31, 2002 was $65.5 million as compared to cash provided by operating activities of $51.3 million for the same nine-month period ended May 31, 2001. The net cash provided by operations for the nine months ended May 31, 2002 consisted of net income of $21.0 million, noncash charges of $28.6 million, principally depreciation and amortization and the impact of a decrease in working capital of $15.9 million.

Investing Activities. Heritage completed nine propane acquisitions and one non-propane related acquisition during the nine months ended May 31, 2002 spending $16.9 million, net of cash received. This capital expenditure amount is reflected in the cash used in investing activities of $26.6 million along with $20.0 million spent for maintenance capital expenditures needed to sustain operations at current levels and customer tanks to support growth of operations. Investing activities also includes proceeds from the sale of idle property of $1.4 million, $9.7 million received from the sale of assets to Bi-State Partnership and cash paid for other investing activities of $.8 million.

Financing Activities. Cash used in financing activities during the nine months ended May 31, 2002 of $40.1 million resulted mainly from a net decrease in the Working Capital Facility of $19.9 and a net increase in the Acquisition Facility of $14.0 million used to acquire other propane businesses offset by cash distributions to unitholders of $30.7 million and a net decrease in other long-term debt of $3.5 million.

Financing and Sources of Liquidity

During the quarter ended May 31, 2002, Heritage used its Bank Credit Facility, which includes a Working Capital Facility, a revolving credit facility providing for up to $65.0 million of borrowings for working capital and other general partnership purposes, and the Acquisition Facility, a revolving credit facility providing for up to $50.0 million of borrowings for acquisitions and improvements. As of May 31, 2002, the Acquisition Facility had $36.0 million available to fund future acquisitions and the Working Capital Facility had $65.0 million available for borrowings.

Heritage uses its cash provided by operating and financing activities to provide distributions to unitholders and to fund acquisition, maintenance and growth capital expenditures. Acquisition capital expenditures, which include expenditures related to the acquisition of retail propane operations and intangibles associated with such acquired businesses, were $16.9 million for the nine months ended May 31, 2002. In addition to the $16.9 million of cash expended for acquisitions, $2.8 million for notes payable on non-compete agreements were issued and liabilities of $2.4 million were assumed in connection with certain acquisitions.

Under the partnership agreement, Heritage will distribute to its partners, 45 days after the end of each fiscal quarter, an amount equal to all of its Available Cash for such quarter. Available cash generally means, with respect to any quarter of the Partnership, all cash on hand at the end of such quarter less the amount of cash reserves established by the General Partner in its reasonable discretion that is necessary or appropriate to provide for future cash requirements. Heritage's commitment to its unitholders is to distribute the increase in its cash flow while maintaining prudent reserves for the Partnership's operations. Heritage raised the quarterly distribution paid on October 15, 2001 for the fourth quarter ended August 31, 2001, to $0.625 per unit (or $2.50 annually) from $0.6125 paid the previous quarter, and again for the distribution declared on December 20, 2001 payable on January 14, 2002, to $0.6375 (or $2.55 annually). This was the sixth consecutive increase and the seventh since the formation of the Partnership. On April 15, 2002 a quarterly distribution of $.6375 per unit, or $2.55 annually was paid to unitholders of record at the close of business on April 4, 2002. On June 24, 2002, the Partnership declared a cash distribution for the third quarter ended May 31, 2002 of $.6375 per unit, or $2.55 per unit annually, payable on July 15, 2002 to unitholders of record at the close of business on July 8, 2002. These quarterly distributions included incentive distributions payable to the General Partner to the extent the quarterly distribution exceeded $.55 per unit ($2.20 annually).

The assets utilized in the propane business do not typically require lengthy manufacturing process time or complicated, high technology components. Accordingly, the Partnership does not have any significant financial commitments for capital expenditures. In addition, the Partnership has not experienced any significant increases attributable to inflation in the cost of these assets or in its operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Heritage has very little cash flow exposure due to rate changes for long-term debt obligations. Heritage primarily enters debt obligations to support general corporate purposes including capital expenditures and working capital needs. Heritage's long-term debt instruments were typically issued at fixed interest rates. When these debt obligations mature, Heritage may refinance all or a portion of such debt at then-existing market interest rates which may be more or less than the interest rates on the maturing debt.

Commodity price risk arises from the risk of price changes in the propane inventory that Heritage buys and sells. The market price of propane is often subject to volatile changes as a result of supply or other market conditions over which Heritage will have no control. In the past, price changes have generally been passed along to Heritage's customers to maintain gross margins, mitigating the commodity price risk. In order to help ensure adequate supply sources are available to Heritage during periods of high demand, Heritage at times will purchase significant volumes of propane during periods of low demand, which generally occur during the summer months, at the then current market price, for storage both at its service centers and in major storage facilities and for future delivery.

Heritage also attempts to minimize the effects of market price fluctuations for its propane supply by entering into certain financial contracts. In order to manage a portion of its propane price market risk, Heritage uses contracts for the forward purchase of propane, propane fixed-price supply agreements, and derivative commodity instruments such as price swap and option contracts. The swap instruments are a contractual agreement to exchange obligations of money between the buyer and seller of the instruments as propane volumes during the pricing period are purchased. The swaps are tied to a fixed price bid by the buyer and a floating price determination for the seller based on certain indices at the end of the relevant trading period. Heritage enters into these swap instruments to hedge the projected propane volumes to be purchased during each of the one-month periods during the projected heating season.

At May 31, 2002, Heritage had no outstanding propane hedges (swap agreements). Heritage continues to monitor propane prices and may enter into propane hedges in the future. Inherent in the portfolio from the liquids marketing activities is certain business risks, including market risk and credit risk. Market risk is the risk that the value of the portfolio will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by suppliers, customers, or financial counterparties to a contract. Heritage takes an active role in managing and controlling market and credit risk and has established control procedures, which are reviewed on an ongoing basis. Heritage monitors market risk through a variety of techniques, including routine reporting to senior management. Heritage attempts to minimize credit risk exposure through credit policies and periodic monitoring procedures.

LIQUIDS MARKETING

Heritage buys and sells financial instruments for its own account through its wholly owned subsidiary, Heritage Energy Resources ("Resources"). Financial instruments utilized in connection with the liquids marketing activity are accounted for using the mark-to-market method. Under the mark-to-market method of accounting, forwards, swaps, options and storage contracts are reflected at fair value, and are shown in the consolidated balance sheet as assets and liabilities from liquids marketing activities. Unrealized gains and losses from the financial contracts and the impact of price movements are recognized in the income statement, as liquids marketing revenue. Changes in the assets and liabilities from the liquids marketing activities result primarily from changes in the market prices, newly originated transactions and the timing of settlement related to the receipt of cash for certain contracts. Resources attempts to balance its contractual portfolio in terms of notional amounts and timing of performance and delivery obligations. However, net unbalanced positions can exist or are established based on assessment of anticipated market movements.

Notional Amounts and Terms -

The notional amounts and terms of these financial instruments as of May 31, 2002 include fixed price payor for 645,000 barrels of propane and butane, and fixed price receiver of 660,000 barrels of propane and butane. Notional amounts reflect the volume of the transactions, but do not represent the amounts exchanged by the parties to the financial instruments. Accordingly, notional amounts do not accurately measure Heritage's exposure to market or credit risks.

Fair Value -

The fair value of the financial instruments related to liquids marketing activities as of May 31, 2002, was assets of $831 thousand and liabilities of $738 thousand. The unrealized gain related to trading activities for the period ended May 31, 2002, was $57 thousand and is recorded in the income statement through the liquids marketing revenue.

The market prices used to value these transactions reflect management's best estimate considering various factors including closing average spot prices for the current and outer months plus a differential to consider time value and storage costs.

SENSITIVITY ANALYSIS

A theoretical change of 10 percent in the underlying commodity value of the liquids marketing contracts would not have a significant impact in the Partnership's financial position as there were approximately 0.6 million gallons of net unbalanced positions at May 31, 2002.

PART II - OTHER INFORMATION

ITEM 5. OTHER INFORMATION

In May 2001, a company that Heritage subsequently acquired received a request for information from the U.S. Environmental Protection Agency (the "EPA") regarding potential contribution to a widespread groundwater contamination problem in San Bernardino, California, known as the Newmark Groundwater Contamination. The EPA has indicated that it believes that a likely source of the groundwater contamination is a former military base. The U.S. Army has been notified of this and is working in a cooperative manner with the EPA. The EPA has not made any final determination regarding the U.S. Army or any other person's liability. Although the groundwater contamination problem appears to be attributable to releases of solvents from the former military base in the 1940's (well before the company facility was constructed in the 1970's), it is possible that EPA may seek to recover all or a portion of groundwater remediation costs from private parties which could include Heritage under the Comprehensive Environmental Response, Compensation, and Liability Act (commonly called "Superfund").

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The exhibits listed on the following Exhibit Index are filed as part of this Report. Exhibits required by Item 601 of Regulation S-K, but which are not listed below, are not applicable.

	Exhibit Number	Description
(1)	3.1	Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(10)	3.1.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
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(*)	3.1.3	Amendment No. 3 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(*)	3.1.4	Amendment No. 4 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(1)	3.2	Agreement of Limited Partnership of Heritage Operating, L.P.
(12)	3.2.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.
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(*) Filed herewith.

(b) Reports on Form 8-K.

A Form 8-K was filed on July 11, 2002 reporting a change in the registrant's independent auditor. Based on the recommendation of the Audit Committee, the Board of Directors of Heritage approved the dismissal of its independent auditors Arthur Andersen LLP and engaged the firm of Grant Thornton LLP as its new independent auditors for the fiscal year ended August 31, 2002, on July 8, 2002.

SIGNATURE

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

HERITAGE PROPANE PARTNERS, L.P.

By: U.S. Propane, L.P., General Partner

Date: July 11, 2002

By: /s/ H. Michael Krimbill

H. Michael Krimbill
(President, Chief Executive Officer and officer duly authorized to sign on behalf of the registrant)

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(10) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated August 23, 2000.

(11) File as Exhibit 10.16.3.

(12) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2000.

(13) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended February 28, 2001.

(14) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2001.

(15) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated August 15, 2001.

(16) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2001.

(17) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended November 30, 2001.

(18) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended February 28, 2002.

(*) Filed herewith.

EXHIBIT 3.1.3

AMENDMENT NO. 3
TO
AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
HERITAGE PROPANE PARTNERS, L.P.

This Amendment No. 3 (this "Amendment") to the Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P. (the "Partnership"), dated as of June 27, 1996 (the "Original Agreement") as amended by Amendment No. 1 dated as of August 9, 2000 (the "First Amendment") and Amendment No. 2 dated as of January 5, 2001 (the "Second Amendment") (the Original Agreement, the First Amendment and the Second Amendment are collectively the "Partnership Agreement") is entered into effective as of October 5, 2001, by Heritage Holdings, Inc., a Delaware corporation (the "General Partner"), as the general partner of the Partnership, on behalf of itself and the Limited Partners of the Partnership. Capitalized terms used but not defined herein are used as defined in the Partnership Agreement.

RECITALS

WHEREAS, Section 3 of the First Amendment provides for its effectiveness to be conditioned upon the failure of the Partnership's securityholders to approve a change in the terms of the Class B Subordinated Units to provide that they are convertible as provided in Section 2 thereof by the requisite vote on or before January 7, 2001, which date was amended to December 31, 2001 by the Second Amendment to the Partnership Agreement; and

WHEREAS, the General Partner, holders of not less than a majority of the Partnership's Class B Subordinated Units, and the Partnership have requested that the vote of securityholders be delayed until a date on or prior to March 31, 2002; and

WHEREAS, Section 13.1(d)(i) of the Partnership Agreement provides that each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of the Partnership Agreement, to execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect a change that, in the discretion of the General Partner, does not adversely affect the Unitholders in any material respect; and

WHEREAS, the General Partner has in the exercise of its discretion determined that the adoption of the Amendment will not adversely affect the Unitholders in any material respect; and

WHEREAS, Section 13.3 of the Partnership Agreement provides that any amendment that would have a material effect on the rights or preferences of any class of Partnership Interests in relation to other classes of Partnership Interests must be approved by the holders of not less than a majority of the Partnership Interests of the class affected; and

WHEREAS, the Amendment was approved by the holders of not less than a majority of the Class B Subordinated Units.

NOW, THEREFORE, the Partnership Agreement is hereby amended to amend Section 3 of the First Amendment such that the date referred to in the first sentence of Section 3 is changed from "December 31, 2001" to "March 31, 2002."

RATIFICATION OF PARTNERSHIP AGREEMENT. Except as expressly modified and amended herein, all of the terms and conditions of the Partnership Agreement shall remain in full force and effect.

GOVERNING LAW. This Amendment will be governed by and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, this Amendment has been executed as of October 5, 2001.

GENERAL PARTNER:

HERITAGE HOLDINGS, INC.

By: ----------------------------------

Name: --------------------------------

Title: -------------------------------

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as limited partners of the Partnership, pursuant to Powers of Attorney now and hereafter executed in favor of, and granted and delivered to, the General Partner.

By: Heritage Holdings, Inc., General Partner, as attorney-in-fact for all Limited Partners pursuant to the Powers of Attorney granted pursuant to Section 2.6 of the Partnership Agreement.

By: ----------------------------------

Name: --------------------------------

Title: -------------------------------

EXHIBIT 3.1.4

AMENDMENT NO. 4
TO
AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
HERITAGE PROPANE PARTNERS, L.P.

This Amendment (this "Amendment") to the Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P., a Delaware limited partnership (the "Partnership"), dated as of June 27, 1996, as amended as of August 9, 2000, January 5, 2001, and as of October 5, 2001 (as so amended, the "Partnership Agreement"), is entered into effective as of February 4, 2002, by Heritage Holdings, Inc., a Delaware corporation ("HHI"), as the general partner of the Partnership, on behalf of itself and the Limited Partners of the Partnership, and U.S. Propane, L.P., a Delaware limited partnership ("U.S. Propane"), as the successor general partner of the Partnership. Capitalized terms used but not defined herein are used as defined in the Partnership Agreement.

RECITALS

WHEREAS, this Amendment has been approved by the requisite vote of the Partners of the Partnership;

NOW, THEREFORE, the Partnership Agreement is hereby amended as follows:

SECTION 1. CONVERSION TRANSACTIONS. The following transactions shall occur immediately after execution hereof:

1. 158,026 of the Common Units owned by U.S. Propane will be converted into a 1% General Partner Partnership Interest in the Partnership and into the Incentive Distribution Rights (less those Incentive Distribution Rights previously converted into Class C Units) and U.S. Propane will be admitted as a successor General Partner of the Partnership.

2. The 1% General Partner Partnership Interest in the Partnership and the Incentive Distribution Rights owned by HHI (which do not include those Incentive Distribution Rights previously converted into Class C Units) will be converted into 158,026 Common Units and HHI will withdraw as a general partner of the Partnership.

3. HHI will contribute its 1.0101% General Partner Partnership Interest in the Operating Partnership to the Partnership in exchange for 162,913 Common Units.

SECTION 2. INAPPLICABILITY OF SECTION 11.3. The provisions of Section 11.3 (other than the last sentence of Section 11.3(a)) shall not be applicable to the withdrawal of HHI as a general partner of the Partnership and the Operating Partnership and the only amounts due to HHI for its Combined Interest shall be as set forth in this Amendment, Amendment No. 1 and Amendment

No. 2 to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership.

SECTION 3. ASSUMPTION OF GENERAL PARTNER RIGHTS AND DUTIES. U.S. Propane hereby agrees to assume the rights and duties of the General Partner under the Partnership Agreement.

SECTION 4. RATIFICATION OF PARTNERSHIP AGREEMENT. Except as expressly modified and amended herein, all of the terms and conditions of the Partnership Agreement shall remain in full force and effect.

SECTION 5. GOVERNING LAW. This Amendment shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

SECTION 6. COUNTERPARTS. This Amendment may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

IN WITNESS WHEREOF, this Amendment has been executed as of the date first written above.

GENERAL PARTNER:

Heritage Holdings, Inc.

By:

Name:

Title:

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as limited partners of the Partnership, pursuant to Powers of Attorney now and hereafter executed in favor of, and granted and delivered to, the General Partner.

By: Heritage Holdings, Inc., General Partner, as attorney-in-fact for all Limited Partners pursuant to the Powers of Attorney granted pursuant to Section 2.6 of the Partnership Agreement.

By:

Name:

Title:

SUCCESSOR GENERAL PARTNER:

U.S. Propane, L.P.

By: U.S. Propane, L.L.C.
its general partner

By:

Name:

Title:

EXHIBIT 3.2.2

AMENDMENT NO. 2
TO
AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
HERITAGE OPERATING, L.P.

This Amendment No. 2 (this "Amendment") to the Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P., a Delaware limited partnership (the "Partnership"), dated as of June 27, 1996 and amended as of August 10, 2000 (as so amended, the "Partnership Agreement"), is entered into effective as of February 4, 2002 by Heritage Holdings, Inc., a Delaware corporation ("HHI"), as the general partner of the Partnership, Heritage Propane Partners, L.P., a Delaware limited partnership (the "MLP"), as a limited partner of the Partnership, and U.S. Propane, L.P., a Delaware limited partnership ("U.S. Propane"), as a limited partner and the successor general partner of the Partnership. Capitalized terms used but not defined herein are used as defined in the Partnership Agreement.

RECITALS

WHEREAS, this Amendment has been approved by the requisite vote of the Partners of the Partnership and the MLP;

NOW, THEREFORE, the Partnership Agreement is hereby amended as follows:

SECTION 1. CONVERSION TRANSACTIONS. The following transactions shall occur immediately after execution hereof:

1. The 1.0101% Limited Partner Partnership Interest in the Partnership owned by U.S. Propane will be converted into a 1.0101% General Partner Partnership Interest in the Partnership and U.S. Propane will be admitted as a successor General Partner of the Partnership.

2. Upon the contribution by HHI of its 1.0101% General Partner Partnership Interest in the Partnership to the MLP in exchange for 162,913 Common Units, the MLP will be admitted as a successor General Partner of the Partnership and HHI will withdraw as a General Partner of the Partnership.

3. The 1.0101% General Partner Partnership Interest in the Partnership owned by the MLP will be converted into a 1.0101% Limited Partner Partnership Interest in the Partnership and the MLP will withdraw as a General Partner of the Partnership.

SECTION 2. INAPPLICABILITY OF SECTION 11.3. The provisions of Section 11.3 (other than Section 11.3(b)) shall not be applicable to the withdrawal of HHI as a general partner of the Partnership and the only amounts due to HHI for its Partnership Interest shall be as set forth in this Amendment and Amendment No. 3 to the Amended and Restated Agreement of Limited Partnership of the MLP.

SECTION 3. ASSUMPTION OF GENERAL PARTNER RIGHTS AND DUTIES. U.S. Propane hereby agrees to assume the rights and duties of the General Partner under the Partnership Agreement.

SECTION 4. RATIFICATION OF PARTNERSHIP AGREEMENT. Except as expressly modified and amended herein, all of the terms and conditions of the Partnership Agreement shall remain in full force and effect.

SECTION 5. GOVERNING LAW. This Amendment shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

SECTION 6. COUNTERPARTS. This Amendment may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

IN WITNESS WHEREOF, this Amendment has been executed as of the date first written above.

GENERAL PARTNER:

Heritage Holdings, Inc.

By: ------------------------------

Name: ----------------------------

Title: ---------------------------

LIMITED PARTNERS:

Heritage Propane Partners, L.P.

By: Heritage Holdings, Inc.,
its general partner

By: ------------------------------

Name: ----------------------------

Title: ---------------------------

U.S. Propane, L.P.

By: U.S. Propane, L.L.C.
its general partner

By: ------------------------------

Name: ----------------------------

Title: ---------------------------

U.S. PROPANE, L.P.

By: U.S. Propane, L.L.C.
its general partner

By:

Name:

Title:
