UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2001

OR

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

FOR THE TRANSITION PERIOD FROM ____________ TO ___________.

COMMISSION FILE NUMBER: 0-32453

INERGY, L.P.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	43-1918951
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(IRS EMPLOYER IDENTIFICATION NO.)
1101 WALNUT, SUITE 1500 KANSAS CITY, MISSOURI	64106
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(816) 842-8181
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED SINCE LAST REPORT)

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

Yes [X] No [ ]

The following units were outstanding at February 12, 2002:

Common Units	2,617,872
Senior Subordinated Units	3,313,367
Junior Subordinated Units	572,542

INERGY, L.P.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INERGY, L.P. and Subsidiary
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED BALANCE SHEETS
(In Thousands)

	September 30, 2001	December 31, 2001 (Unaudited)
ASSETS		
Current assets:		
Cash	$ 2,171	$ 3,864
Accounts receivable, less allowance for doubtful accounts of $186 and $1,422 at September 30, and December 31, 2001, respectively	11,457	24,297
Inventories	12,694	18,439
Prepaid expenses and other current assets	1,411	3,497
Assets from price risk management activities	9,187	11,699
Total current assets	36,920	61,796
Property, plant and equipment, at cost:		
Land and buildings	4,511	11,125
Office furniture and equipment	1,172	5,736
Vehicles	11,435	17,299
Tanks and plant equipment	58,737	99,292
	75,855	133,452
Less accumulated depreciation	(5,812)	(7,072)
Net property, plant and equipment	70,043	126,380
Intangible assets:		
Covenants not to compete	3,771	6,119
Deferred financing costs	2,985	4,942
Deferred acquisition costs	115	-
Customer accounts	14,000	41,411
Goodwill	32,121	47,025
	52,992	99,497
Less accumulated amortization	(4,431)	(5,126)
Net intangible assets	48,561	94,371
Other	129	357
Total assets	$155,653	$282,904

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(In Thousands)

	September 30, 2001	December 31, 2001 (Unaudited)
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	$ 8,416	$ 13,815
Accrued expenses	5,679	9,384
Customer deposits	10,060	12,773
Liabilities from price risk management activities	4,612	2,075
Current portion of long-term debt (Note 2)	10,469	10,718
Total current liabilities	39,236	48,765
Long-term debt, less current portion (Note 2)	43,663	138,850
Partners' capital (Note 4):		
Common unitholders (1,840,000 and 2,617,872 units issued and outstanding as of September 30 and December 31, 2001, respectively)	24,981	45,906
Senior subordinated unitholders (3,313,367 and units issued and outstanding as of September 30 and December 31, 2001, respectively)	45,060	46,223
Junior subordinated unitholders (572,542 and units issued and outstanding as of September 30 and December 31, 2001, respectively)	1,258	1,459
Non-managing general partner (2% interest with 116,855 and 132,730 equivalent units outstanding as of September 30 and December 31, 2001, respectively)	1,455	1,701
Total partners' capital	72,754	95,289
Total liabilities and partners' capital	$155,653	$282,904

See accompanying notes.

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF INCOME
(In Thousands Except Per Unit Data)

	THREE MONTHS ENDED DECEMBER 31 2000	2001
	(Unaudited)	
Revenue:		
Propane	$70,626	$58,989
Other	1,785	3,046
	72,411	62,035
Cost of product sold	63,608	46,200
Gross profit	8,803	15,835
Operating and administrative expenses	3,958	8,292
Depreciation and amortization	769	1,774
Operating income	4,076	5,769
Other income (expense):		
Interest expense	(929)	(1,238)
Loss on sale of property, plant and equipment	-	(90)
Other	62	56
Income before income taxes	3,209	4,497
Provision for income taxes	-	(32)
Net income	$ 3,209	$ 4,465

Partners' interest information for the three months ended December 31, 2001:

Non-managing general partners' interest in net income	$ 89
Limited partners' interest in net income:	
Common unit interest	$ 1,458
Senior subordinated interest	2,488
Junior subordinated unit interest	430
Total limited partners' interest in net income	$4,376
Net income per limited partner unit:	
Basic	$ 0.75
Diluted	$ 0.74
Weighted average limited partners' units outstanding:	
Basic	5,827
Diluted	5,898

See accompanying notes.

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	THREE MONTHS ENDED DECEMBER 31 2000	2001
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$ 3,209	$ 4,465
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for doubtful accounts	27	368
Depreciation	454	1,282
Amortization	288	492
Amortization of deferred financing costs	27	203
Gain on disposal of property, plant and equipment	-	90
Net assets (liabilities) from price risk management activities	1,888	(5,049)
Deferred compensation	19	-
Changes in operating assets and liabilities, net of effects from acquisition of retail propane companies:		
Accounts receivable	(18,938)	(6,406)
Inventories	(3,386)	(1,913)
Prepaid expenses and other current assets	(400)	(1,558)
Other assets	(10)	23
Accounts payable	17,130	3,364
Accrued expenses	(1,160)	802
Customer deposits	(472)	1,836
Net cash used in operating activities	(1,324)	(2,001)
INVESTING ACTIVITIES		
Acquisition of retail propane companies, net of cash acquired	(520)	(83,468)
Purchases of property, plant and equipment	(1,116)	(1,128)
Deferred financing and acquisition costs incurred	-	(1,957)
Proceeds from sale of property, plant and equipment	-	60
Net cash used in investing activities	(1,636)	(86,493)

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	THREE MONTHS ENDED DECEMBER 31	
	2000	2001
	(Unaudited)	
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	13,175	191,383
Principal payments on long-term debt and noncompete obligations	(9,435)	(99,543)
Contribution from non-managing general partner	-	204
Proceeds from issuance of common units	-	480
Redemption of preferred interests	(3)	-
Distributions to members/unitholders	(356)	(2,337)
Net cash provided by financing activities	3,381	90,187
Net increase in cash	421	1,693
Cash at beginning of period	1,373	2,171
Cash at end of period	$ 1,794	$ 3,864
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	$ 886	$ 1,281
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisitions of retail propane companies through the issuance of common units	$ -	$ 19,723

See accompanying notes.

INERGY, L.P. AND SUBSIDIARY
(Successor to Inergy Partners, LLC and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands)
(Unaudited)

NOTE 1 - ACCOUNTING POLICIES

Organization

The consolidated financial statements of Inergy, L.P. (the "Partnership") include the accounts of the Partnership and its subsidiaries Inergy Propane, LLC (the "Operating Company") and Inergy Sales & Service, Inc. ("ISSI") which, collectively with the Partnership and Operating Company, are referred to as the "Partnership Entities" or "Inergy" as a result of the Partnership's initial public offering in July 2001. The Partnership has limited partner interests consisting of 2,617,872 common units (including 777,872 common units issued in December 2001 in connection with the acquisition of Independent Propane Company discussed in Note 4) (the "Common Units"), 3,313,367 senior subordinated units (the "Senior Subordinated Units"), and 572,542 junior subordinated units (the "Junior Subordinated Units") outstanding. Inergy Partners, LLC (the "Non-Managing General Partner"), an affiliate of Inergy Holdings, LLC, owns the non-managing general partner interest representing a 2% unsubordinated general partner's interest in the Partnership Entities (132,730 equivalent units outstanding). Inergy GP, LLC, (the "Managing General Partner"), a wholly-owned subsidiary of Inergy Holdings, LLC, owns the incentive distribution rights of the Partnership and has sole responsibility for conducting our business and managing our operations.

Basis of Presentation

The financial information as of December 31, 2001 and for the three-month periods ended December 31, 2001 and 2000 contained herein is unaudited. The Company believes this information has been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and Article 10 of Regulation S-X. The Company also believes this information includes all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods then ended. The results of operations for the three-month period ended December 2001 are not necessarily indicative of the results of operations that may be expected for the entire year.

The accompanying consolidated financial statements presented herein reflect the effects of the partnership conveyance as a result of the Partnership's initial public offering in July 2001and, as such, the consolidated financial statements represent Inergy Partners, LLC prior to the partnership conveyance and the Partnership Entities subsequent thereto.

Accounting for Price Risk Management

Inergy, through its wholesale operations, offers price risk management services to its customers and, in addition, trades for its own account. Financial instruments utilized in connection with trading activities 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, inclusive of reserves, and are shown in the consolidated balance sheet as assets and liabilities from price risk management activities. In addition, inventories for wholesale operations, which consist mainly of liquid propane commodities, are also stated at market. Unrealized gains and losses from newly originated contracts, contract restructuring and the impact of price movements on these financial instruments and wholesale propane inventories are recognized in cost of products sold. Changes in the assets and liabilities from trading and price risk management activities result primarily from changes in the market prices, newly originated transactions and the timing of settlement relative to the receipt of cash for certain contracts. The market prices used to value these transactions reflect management's best estimate considering various factors including closing exchange and over-the-counter quotations, time value and volatility factors underlying the commitments. The values are adjusted to reflect the potential impact of liquidating Inergy's position in an orderly manner over a reasonable period of time under present market conditions.

The cash flow impact of financial instruments is reflected as cash flows from operating activities in the consolidated statements of cash flows.

Revenue Recognition

Sales of propane are recognized at the time product is shipped or delivered to the customer. Revenue from the sale of propane appliances and equipment is recognized at the time of sale or installation. Revenue from repairs and maintenance is recognized upon completion of the service.

Adoption of Financial Accounting Standards Board Statement No. 142

In July, 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 142, "Goodwill and Other Intangible Assets." Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." Inergy adopted the provisions of Statement 142 in the first quarter ended December 31, 2001. Goodwill amortization expense was $0 and $144 for the three months ended December 31, 2001 and 2000, respectively.

NOTE 2 - LONG-TERM DEBT

Long-term debt consisted of the following:

	September 30, 2001	December 31, 2001 (Unaudited)
Credit agreement	$53,000	$144,911
Obligations under non-competition agreements and notes to former owners of businesses acquired	1,101	4,628
Other	31	29
	54,132	149,568
Less current portion	10,469	10,718
	$43,663	$138,850

Inergy's current credit agreement is a result of an amendment executed in December 2001 in connection with the IPC Acquisition (December 2001 amendment), as discussed in Note 4. This December 2001 amendment resulted in a $195 million facility comprised of a $50 million revolving working capital facility, a $75 million revolving acquisition facility and a 1-year, $70 million term note. The December 2001 amendment has a term of three years, expiring December 2004, and has similar interest terms to the July 2001 amendment with prime rate and LIBOR plus the applicable spreads resulting in interest rates between 4.06% and 4.75% at December 31, 2001.

The credit agreement contains several covenants which, among other things, require the maintenance of various financial performance ratios, restrict the payment of dividends to unitholders, and require financial reports to be submitted periodically to the financial institutions.

NOTE 3 - SEGMENTS

The Company's financial statements reflect two reportable segments: retail sales operations and wholesale sales operations. Revenues, gross profit and identifiable assets for each of the Company's reportable segments are presented below. Identifiable assets associated with each reportable segment include accounts receivable and inventories. The net asset/liability from price risk management, as reported in the accompanying consolidated balance sheet, is related to the wholesale trading activities.

	Three Months Ended December 31, 2001				Three Months Ended December 31, 2000			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$23,324	$45,514	($6,803)	$62,035	$14,457	$64,352	($14,457)	$72,411
Gross profit	13,759	2,339	(263)	15,835	7,514	2,237	(948)	8,803
Identifiable assets	20,059	22,677	-	42,736	9,444	29,085	-	38,529

NOTE 4 - ACQUISITIONS AND RELATED FINANCING

Effective November 1, 2001, Inergy acquired substantially all of the assets and assumed certain liabilities of Pro Gas Sales & Service, Spe-D Gas Company, Great Lakes Propane Company and Ottawa LP Gas Company, four companies under common control (collectively Pro Gas). Pro Gas is a retail propane distributor located in central Michigan. Inergy purchased Pro Gas with cash funded through its credit facility.

On December 20, 2001, Inergy, L.P., through an affiliate as further described below, acquired the assets of Independent Propane Company Holdings, Inc ("IPC"). The purchase price approximated $96.7 million, including approximately $7.5 million of net working capital.

In connection with the IPC acquisition, Inergy, L.P. and several of its affiliates entered into various transactions. IPCH Acquisition Corp., an affiliate of Inergy L.P.'s managing general partner that ultimately became the sole stockholder of IPC, borrowed approximately $27 million from financial institution lenders. A portion of these loan proceeds were applied to acquire 365,019 common units from Inergy, L.P. The aggregate purchase price paid for these common units was approximately $9.6 million. IPCH Acquisition Corp utilized these common units to provide a portion of the merger consideration distributed to certain former stockholders of IPC's parent corporation. The balance of the loan proceeds, amounting to $17.4 million, were paid as additional purchase price.

Immediately following the IPC acquisition, IPCH Acquisition Corp. sold, assigned and transferred to our operating company the operating assets of IPC and certain rights under the IPC acquisition agreement and related escrow agreement. In consideration for the above sale, assignment and transfer, Inergy, L.P. issued to IPCH Acquisition Corp. 394,601 common units, paid $83.9 million in cash (including acquisition costs and $9.6 million of cash received from the sale of 365,019 common units to IPCH Acquisition Corp.), and our operating company assumed $2.5 million of notes payable. IPCH Acquisition Corp. used the cash received from Inergy, LP. to repay the $27.0 million loan described above and repaid approximately $52.9 million of long-term debt assumed in the acquisition of IPC. Inergy, L.P. agreed that if it proposes to register any of its common units under applicable securities laws, IPCH Acquisition Corp. will have the right to include in such registration the 394,601 common units acquired by it, subject to various conditions and limitations specified in a Registration Rights Agreement entered into by IPCH Acquisition Corp. and Inergy, L.P. The common units were issued in reliance upon the exemption from registration afforded by Rule 506 of Regulation D. In addition, Inergy, L.P. issued 18,252 common units to certain members of IPC management, who remain as employees of Inergy, L.P.,for approximately $0.5 million in cash at the time of the acquisition.

Our operating company agreed that IPCH Acquisition Corp. may obtain loans from financial institution lenders during the five year period following the date of the Independent Propane acquisition for certain specified purposes, including payment of tax liabilities arising from the sale of IPC to Inergy, L.P. If IPCH Acquisition Corp. obtains any such loans, our operating company agreed to reimburse IPCH Acquisition Corp. for all out-of-pocket costs and expenses incurred to obtain $5.0 million of such borrowings, excluding interest.

IPCH Acquisition Corp. has the right to appoint two directors to the board of directors of our managing general partner for a period of three years immediately following the date of the IPC acquisition.

IPCH Acquisition Corp. agreed to guarantee the payment when due of the obligations of our operating company with respect to the loan of up to $35.0 million.

An independent committee of the Board of Directors reviewed the transactions described above on behalf of the unitholders who are not affiliated with our managing general partner.

Inergy Partners, LLC contributed $203,857 in cash to Inergy, L.P. in conjunction with the IPC acquisition in order to maintain its 2% non-managing general partner interest.

Inergy, L.P. agreed that on or before August 1, 2002, it would use its best efforts to file a shelf registration statement under federal securities laws and to register approximately 349,914 common units issued to former IPC shareholders, including J.P. Morgan Partners (SBIC) LLC, subject to various conditions and limitations specified in a Registration Rights Agreement entered into by Inergy, L.P. and the former IPC shareholders. In addition, Inergy, L.P. also agreed that if it proposes to register any of its common units under applicable securities laws, these former IPC shareholders will have the right to include their common units in such registration, subject to various conditions and limitations specified in the Registration Rights Agreement.

The following unaudited pro forma data summarize the results of operations for the periods indicated as if these acquisitions had been completed October 1, 2000 and 2001, the beginning of the 2001 and 2002 fiscal years. The pro forma data give effect to actual operating results prior to the acquisitions and adjustments to interest expense, goodwill (amortization prior to the October 1, 2001 adoption of SFAS No. 142) and customer accounts amortization, among other things. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisitions had occurred on October 1, 2000 and 2001 or that will be obtained in the future.

	Three month period ended December 31,	
	2000	2001
Sales	$103,876	$73,597
Net income	$ 9,069	$ 5,876

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

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Inergy, L.P. should be read in conjunction with the accompanying condensed consolidated financial statements and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report on Form 10-K for the fiscal year ended September 30, 2001 of Inergy, L.P. (or its predecessor, Inergy Partners, LLC for the three month period ended December 31, 2000).

The statements in this Quarterly Report on Form 10-Q that are not historical facts, including most importantly, those statements preceded by, or that include the words "may", "believes", "expects", "anticipates" or the negation thereof, or similar expressions, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiaries to be materially different from any future results, performance or achievements express or implied by such forward-looking statements. Such factors include, but are not limited to, the following: weather in the Company's area of operations; market price of propane; availability of financing changes in, or failure to comply with, government regulations; the costs, uncertainties and other effects of legal and administrative proceedings and other risks and uncertainties detailed in the Company's Securities and Exchange Commission filings. For those statements, The Company claims the protection of the safe harbor for forward-looking statements contained in the Reform Act. The Company will not undertake and specifically declines any obligation to publicly release the result of any revisions to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect events or circumstances after anticipated or unanticipated events. In addition, it is the Company's policy generally not to make any specific projections as to future earnings, and the Company does not endorse any projections regarding future performance that may be made by third parties.

THREE MONTHS ENDED DECEMBER 31, 2001 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2000

Volume. During the three months ended December 31, 2001, Inergy, L.P. sold 17.9 million retail gallons of propane, an increase of 6.2 million gallons, or 53%, from the 11.7 million retail gallons sold during the same three month period in 2000. The increase in retail sales volume was principally due to the January 2001 acquisition of Hoosier Propane Group, the November 2001 acquisition of the Pro Gas Companies and the December 2001 acquisition of Independent Propane Company. The increases associated with these acquisitions were partially offset by weather that was approximately 29% warmer in the three months ended December 31, 2001 as compared to the same period in 2000 in the Partnership's areas of operations.

Wholesale gallon sales increased 10.0 million gallons, or 12%, to 94.5 million gallons in the three months ended December 31, 2001 from 84.5 million gallons in the same three month period in 2000. This increase was attributable to the acquisition of the Hoosier Propane Group with the balance of the increase attributable to the growth of our existing wholesale operations. Partially offsetting these increases were decreases as a result of the warmer weather in 2001 as described above.

Revenues. Revenues in the three months ended December 31, 2001 were $62.0 million, a decrease of $10.4 million, or 14%, from $72.4 million of revenues in the same three month period in 2000.

Revenues from retail propane sales were $18.8 million in the three months ended December 31, 2001, an increase of $6.1 million, or 48%, from $12.7 million for the same three month period in 2000. This increase was attributable to the acquisitions discussed above partially offset by (i) lower selling prices due to the lower cost of propane and (ii) volume decreases as a result of warmer weather in 2001 than in 2000. Other retail revenues increased approximately $1.2 million, or 71%, from $1.8 million in the three month period ended December 31, 2000 to $3.0 million in the same three month period in 2001. These revenues consist of transportation revenues, tank rentals, heating oil sales, appliance sales and service with the increase a result of the acquisitions.

Revenues from wholesale sales were $40.0 million (after elimination of sales to our retail operations) in the three months ended December 31, 2001, a decrease of $18.0 million, or 31%, from $58.0 million for the same three month period in 2000. This decrease was attributable to decreased selling prices as a result of the lower cost of propane, partially offset by the effect of the acquisition of the Hoosier Propane Group and the growth of our wholesale operations.

Cost of Product Sold. Cost of product sold in the three months ended December 31, 2001 was $46.2 million, a decrease of $17.4 million, or 27%, from cost of product sold of $63.6 million in the same three month period in 2000. This decrease was attributable to an approximate 38% decrease in the average cost of propane partially offset by increases in retail and wholesale propane volumes.

Gross Profit. Retail gross profit was $13.8 million in the three months ended December 31, 2001 compared to $7.5 million in the three months ended December 31, 2000, an increase of $6.3 million, or 83%. Wholesale gross profit was $2.1 million (after

elimination of gross profit attributable to our retail operations) in the three months ended December 31, 2001 compared to $1.3 million in the same three month period in 2000, an increase of $0.8 million. These increases were attributable to higher retail and wholesale volumes, an increase in margin per gallon and gross profits from the transportation business acquired in the Hoosier Propane Group acquisition. The increase in margin per gallon was attributable to our ability to maintain higher retail prices during periods of decreasing propane costs.

Operating and Administrative Expenses. Operating and administrative expenses increased $4.3 million, or 109%, to $8.3 million in the three month period ended December 31, 2001 as compared to $4.0 million in the same period in 2000. This increase resulted from the acquisitions discussed above and, to a lesser extent,increased insurance costs as a result of higher premiums and self insured retention amounts, and personnel costs associated with (i) the growth of the company and (ii) the completion of the initial public offering of Inergy, L.P. in July, 2001.

Depreciation and Amortization. Depreciation and amortization increased $1.0 million, or 131%, to $1.8 million in the three months ended December 31, 2001 from $0.8 million in the same three month period in 2000 primarily as a result of the acquisitions since January 1, 2001, which included property, plant and equipment and amortizable intangible assets of approximately $170 million.

Net Income. Net income increased $1.3 million, or 39%, to $4.5 million in the three months ended December 31, 2001 from $3.2 million in the same three month period in 2000. This increase in net income was attributable to the increase in gross profit offset by increases in operating and administrative expenses, depreciation and amortization and an increase in interest expense as a result of higher average outstanding borrowings associated with the acquisitions.

EBITDA. In the three months ended December 31, 2001, income before interest, taxes, depreciation and amortization was $7.5 million compared to $4.9 million in the same period of fiscal 2000. The increase was attributable to increased sales volumes and margins per gallon partially offset by an increase in operating and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities was $2.0 million in the three months ended December 31, 2001 compared to cash used in operating activities of $1.3 million in the same fiscal 2000 period. The increase in cash used in operating activities is primarily attributable to a greater use of cash in price risk management activities and an increase in operating assets and liabilities offset by higher depreciation and amortization charges and net income in 2001 as compared to 2000. Net income increased to $4.5 million for the three months ended December 31, 2001 from $3.2 million for the same fiscal 2000 period due to the effects of the acquisitions completed in fiscal 2001 and the effects of higher margins per gallon in existing operations, partially offset by the warmer weather in the 2001 period. Depreciation and amortization increased to $1.8 million in the three months ended December 31, 2001 from $0.8 million in the same fiscal 2000 period due to the effects of acquisitions. The change in operating assets and liabilities, including net liabilities from price risk management activities, required a use of cash amounting to $8.9 million in the three months ended December 31, 2001 and $5.3 million in the same fiscal 2000 period to accommodate increased business volume.

Cash used in investing activities was $86.5 million in the three months ended December 31, 2001 compared to $1.6 million in the same fiscal 2000 period. The 2001 period included $83.5 million of cash used for acquisitions and $1.1 million used for maintenance and growth capital expenditures. In addition, the 2001 period included a use of $2.0 million for payment of deferred financing costs associated with the credit facilities used to finance the acquisitions.

Cash provided by financing activities of $90.2 million in the three months ended December 31, 2001 and $3.4 million in the same period in fiscal 2000. The 2000 period included proceeds from and repayments of long term debt associated with working capital needs, and distributions to members in the period of approximately $0.4 million. The 2001 period included proceeds from and repayments of long term debt associated with working capital needs and borrowings and repayments related to amended credit facilities negotiated in connection with acquisitions in that period. In addition, Inergy, L.P. received cash of approximately $0.7 million in capital contributions and paid $2.3 million in distributions to unitholders in the 2001 period.

At December 31, 2001, we had goodwill of $47.0 million, representing approximately 17% of total assets. This goodwill is attributable to our acquisitions. We expect recovery of the goodwill through future cash flows associated with these acquisitions.

DESCRIPTION OF CREDIT FACILITY

On December 20, 2001, in conjunction with the acquisition of Independent Propane Company., Inergy Propane, LLC entered into a $195 million amended and restated senior secured credit facility with its lenders. The credit facility has a term of three years and is guaranteed by Inergy, L.P. and each subsidiary of Inergy Propane, LLC. At February 12, 2002, the balance outstanding under the credit facility was $145.4 million, including $13.4 million under the working capital facility.

RECENT ACCOUNTING PRONOUNCEMENTS

In August 2001, the FASB issued Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. 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. Management has not determined the method, timing, or impact of adopting Statement No. 144.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We have long-term debt and a revolving line of credit subject to the risk of loss associated with movements in interest rates. At December 31, 2001, we had floating rate obligations totaling approximately $144.9 million for amounts borrowed under our revolving line of credit and long-term debt. These floating rate obligations expose us to the risk of increased interest expense in the event of increases in short-term interest rates. If the floating rate were to increase by 100 basis points from December 2001 levels, our combined interest expense would increase by a total of approximately $0.1 million per month.

PROPANE PRICE RISK

The propane industry is a "margin-based" business in which gross profits depend on the excess of sales prices over supply costs. As a result, our profitability will be sensitive to changes in wholesale prices of propane caused by changes in supply or other market conditions. When there are sudden and sharp increases in the wholesale cost of propane, we may not be able to pass on these increases to our customers through retail or wholesale prices. Propane is a commodity and the price we pay for it can fluctuate significantly in response to supply or other market conditions. We have no control over supply or market conditions. In addition, the timing of cost pass-throughs can significantly affect margins. Sudden and extended wholesale price increases could reduce our gross profits and could, if continued over an extended period of time, reduce demand by encouraging our retail customers to conserve or convert to alternative energy sources.

We engage in hedging transactions to reduce the effect of price volatility on our product costs and to help ensure the availability of propane during periods of short supply. We attempt to balance our contractual portfolio by purchasing volumes only when we have a matching purchase commitment from our wholesale customers. However, we may experience net unbalanced positions from time to time, which we believe to be immaterial in amount. In addition to our ongoing policy to maintain a balanced position, for accounting purposes we are required, on an ongoing basis, to track and report the market value of our purchase obligations and our sales commitments.

TRADING ACTIVITIES

Through our wholesale operations, we offer price risk management services to energy related businesses through a variety of financial and other instruments, including forward contracts involving physical delivery of propane. In addition, we manage our own trading portfolio using forward, physical and futures contracts. We attempt to balance our 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 short-term needs or market conditions. The price risk management services are offered to propane retailers and other related businesses through a variety of financial and other instruments including forward contracts involving physical delivery of propane, swap agreements, which require payments to (or receipt of payments from) counterparties based on the differential between a fixed and variable price for propane, options and other contractual arrangements. We have recorded our trading activities at fair value in accordance with Emerging Issues Task Force Issue EITF No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF No. 98-10 requires energy trading contracts to be recorded at fair value on the balance sheet, with the changes in fair value included in earnings.

NOTIONAL AMOUNTS AND TERMS

The notional amounts and terms of these financial instruments at December 31, 2001 and September 30, 2001 include fixed price payor for 1.3 million and 2.5 million barrels, respectively and fixed price receiver for 2.5 million and 2.9 million barrels, respectively. 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 our exposure to market or credit risks.

FAIR VALUE

The fair value of the financial instruments related to price risk management activities as of December 31, 2001 and September 30, 2001 was assets of $11,699 and $9,187, respectively and liabilities of $2,075 and $4,612, respectively, related to ,propane. All intercompany transactions have been appropriately eliminated.

MARKET AND CREDIT RISK

Inherent in the resulting contractual portfolio are 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. We take an active role in managing and controlling market and credit risk and have established control procedures, which are reviewed on an ongoing basis. We monitor market risk through a variety of techniques, including daily reporting of the portfolio's value to senior management. We attempt to minimize credit risk exposure through credit policies and periodic monitoring procedures. The counterparties associated with assets from price risk management activities, as of December 31, 2001 and September 30, 2001 were energy marketers.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

As part of the purchase price of Independent Propane Company Holdings, Inc., ("IPC") we issued 759,620 common units with a value of approximately $19.7 million. In addition, Inergy Partners, LLC contributed approximately $0.2 million in cash to Inergy, L.P. in order to maintain its 2% non-managing general partner interest at the time of this transaction. Also in conjunction with the acquisition of IPC, we issued 18,252 common units to certain members of IPC Management, who remain as employees of Inergy, L.P., for approximately $0.5 million in cash at the time of the acquisition.

ITEM3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) The registrant filed a Report on Form 8-K on November 16, 2001 which included information under Items 5 and 7 of such form regarding the acquisition of the Pro Gas Companies of Michigan.

The registrant filed a Report on Form 8-K on January 4, 2002 which included information under Items 2 and 7 of such form regarding the acquisition of Independent Propane Company Holdings, Inc.

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.

INERGY, L.P.

Date: February 14, 2002

By: /s/ R. Brooks Sherman Jr.

R. Brooks Sherman Jr.
Vice President and Chief
Financial Officer
(Principal Financial and
Accounting Officer)