UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2000

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: 33-98490

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

Delaware	06-1437793
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2187 Atlantic Street, Stamford, Connecticut	06902
(Address of principal executive office)	(Zip Code)

(203) 328-7300
(Registrant's telephone number, including area code)

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

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

Indicate the number of shares outstanding of each issuer's classes of common stock, as of January 31, 2001:

19,724,967	Common Units
2,696,946	Senior Subordinated Units
345,364	Junior Subordinated Units
325,729	General Partner Units

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES
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Part II Other Information:

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2000	December 31, 2000 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 10,910	$ 18,285
Receivables, net of allowance of $1,956 and $3,445 respectively	66,858	153,350
Inventories	34,407	56,375
Prepaid expenses and other current assets	14,815	24,965
Total current assets	126,990	252,975
Property and equipment, net	171,300	177,754
Long-term portion of accounts receivable	7,282	7,389
Intangibles and other assets, net	313,404	320,859
Total assets	$ 618,976	$ 758,977
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	$ 27,874	$ 61,456
Working capital facility borrowings	24,400	94,933
Current maturities of long-term debt	16,515	30,029
Accrued expenses	42,410	50,187
Unearned service contract revenue	15,654	18,582
Customer credit balances	37,943	21,981
Total current liabilities	164,796	277,168
Long-term debt	310,414	302,834
Other long-term liabilities	4,588	4,760
Partners' Capital:		
Common unitholders	134,672	162,766
Subordinated unitholders	6,090	8,861
General partner	(1,584)	(1,301)
Accumulated other comprehensive income	-	3,889
Total Partners' Capital	139,178	174,215

Total Liabilities and Partners' Capital	$ 618,976	$ 758,977

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(in thousands, except per unit data)	Three Months Ended December 31, 1999	Three Months Ended December 31, 2000
Sales:		
Product	$ 160,540	$ 290,591
Installation, service and appliances	26,346	32,913
Total sales	186,886	323,504
Costs and expenses:		
Cost of product	86,546	194,386
Cost of installation, service and appliances	30,885	36,916
Delivery and branch	40,302	49,334
Depreciation and amortization	8,404	9,647
General and administrative	4,681	6,893
TG&E customer acquisition expense	-	653
Unit compensation expense	-	500
Net gain on sales of assets	12	11
Operating income	16,080	25,186
Interest expense, net	6,473	8,117
Amortization of debt issuance costs	129	145
Income before income taxes and cumulative effect of change in accounting principle	9,478	16,924
Income tax expense	113	716
Income before cumulative change in accounting principle	9,365	16,208
Cumulative effect of change in accounting principle for adoption of SFAS No. 133, net of income taxes	-	1,466
Net income	$ 9,365	$ 17,674
General Partner's interest in net income	$ 174	$ 283
Limited Partners' interest in net income	$ 9,191	$ 17,391
Net income per Limited Partner unit:		
Basic	$ 0.53	$ 0.87
Diluted	$ 0.53	$ 0.86
Weighted average number of Limited Partner units outstanding:		
Basic	17,200	20,073
Diluted	17,200	20,186

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(in thousands)	Three Months Ended December 31, 1999	2000
Net income	$ 9,365	$ 17,674
Other comprehensive income (loss)		
Unrealized loss on derivative instruments	-	(6,305)
Comprehensive income	$ 9,365	$ 11,369
Reconciliation of Accumulated Other Comprehensive Income		
Balance, beginning of period	$ -	$ -
Cumulative effect of the adoption of SFAS No. 133	-	10,544
Current period reclassification to earnings	-	(350)
Current period other comprehensive loss	-	(6,305)
Balance, end of period	$ -	$ 3,889

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(unaudited)

(in thousands, except per unit amounts)

	Number of Units									
	Common	Senior Sub.	Junior Sub.	General Partner	Common	Senior Sub.	Junior Sub.	General Partner	Other Compre-hensive Income	Total Partners' Capital
Balance as of September 30, 2000	16,045	2,587	345	326	$ 134,672	$ 6,125	$ (35)	$ (1,584)	$ -	$ 139,178
Issuance of Common Units	1,495				23,364					23,364
Issuance of Senior Subordinated Units		110				859				859
Net income					14,811	2,279	301	283		17,674
Other comprehensive income Net change for the adoption of SFAS No 133									3,889	3,889
Distributions:										
($0.575 per common unit)					(10,081)					(10,081)
($0.25 per senior subordinated Unit)						(668)				(668)
Balance as of December 31, 2000	17,540	2,697	345	326	$ 162,766	$ 8,595	$ 266	$ (1,301)	$ 3,889	$ 174,215

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)	Three Months Ended December 31, 1999	2000
Cash flows from operating activities:		
Net income	$ 9,365	$ 17,674
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,404	9,647
Amortization of debt issuance cost	129	145
Unit compensation expense	-	500
Provision for losses on accounts receivable	430	1,337
Gain on sales of assets	(12)	(11)
Cumulative effect of change in accounting principle for the adoption of SFAS No. 133	-	(1,466)
Changes in operating assets and liabilities, net of amounts acquired:		
Increase in receivables	(41,376)	(86,467)
Increase in inventories	(1,679)	(16,322)
Decrease (increase) in other assets	2,727	(10,155)
Increase in accounts payable	7,410	33,726
Decrease in other current and long-term liabilities	(6,876)	(6,067)
Net cash used in operating activities	(21,478)	(57,459)
Cash flows from investing activities:		
Capital expenditures	(1,569)	(4,118)
Proceeds from sales of fixed assets	135	127
Acquisitions	(3,615)	(19,621)
Net cash used in investing activities	(5,049)	(23,612)
Cash flows from financing activities:		
Working capital facility borrowings	47,600	79,190
Working capital facility repayments	(9,425)	(8,657)
Acquisition facility borrowings	5,000	11,700
Acquisition facility repayments	-	(41,800)
Proceeds from issuance of debt	-	40,292
Repayment of debt	(2,709)	(4,258)
Increase in deferred charges	-	(97)
Proceeds from issuance of Common Units, net	-	23,364
Distributions	(8,270)	(10,749)
Other	(251)	(539)
Net cash provided by financing activities	31,945	88,446
Net increase in cash	5,418	7,375
Cash at beginning of period	4,492	10,910
Cash at end of period	$ 9,910	$ 18,285

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1) Partnership Organization

Star Gas Partners, L.P. ("Star Gas Partners" or the "Partnership") is a diversified home energy distributor and services provider, specializing in heating oil, propane, natural gas and electricity. Star Gas Partners is a Master Limited Partnership who at December 31, 2000 had 17.5 million common limited partner units (trading symbol "SGU" representing a 83.9% limited partner interest in Star Gas Partners) and 2.7 million senior subordinated units (trading symbol "SGH" representing a 12.9% limited partner interest in Star Gas Partners) are traded on the New York Stock Exchange. Additional interest in Star Gas Partners are represented by 0.3 million junior subordinated units (representing a 1.6% limited partner interest in Star Gas Partners) and 0.3 million general partner units (representing a 1.6% general partner interest in Star Gas Partners).

Operationally the Partnership is organized as follows:

. Petro Holdings, Inc. ("Petro" or the "heating oil segment"), is the nation's largest retail distributor of home heating oil and serves approximately 385,000 customers in the Northeast and Mid-Atlantic. Petro is an indirect wholly owned subsidiary of Star Gas Propane, L.P.

. Star Gas Propane, L.P., ("Star Gas Propane" or the "propane segment") is a wholly owned subsidiary of Star Gas Partners. Star Gas Propane markets and distributes propane gas and related products to more than 210,000 customers in the Midwest and Northeast.

. Total Gas and Electric ("TG&E" or the "natural gas and electric reseller segment") is an energy reseller that markets natural gas and electricity to residential homeowners in deregulated energy markets in the Northeast and Mid-Atlantic states of New York, New Jersey, Pennsylvania and Maryland and serves approximately 110,000 residential customers. TG&E is a 72.7% owned subsidiary of Star Gas Partners.

2) Summary of Significant Accounting Policies

Basis of Presentation
The Consolidated Financial Statements for the period October 1, 1999 through April 6, 2000 include the accounts of Star Gas Partners, L.P., and subsidiaries, principally Petro and Star Gas Propane. Beginning April 7, 2000, the Consolidated Financial Statements also include the accounts and results of operations of TG&E and reflects the amounts related to the 23.7% minority interest holder.

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for the fair statement of financial condition and results for the interim periods. The results of operations for the three months ended December 31, 2000 are not necessarily indicative of the results to be expected for the full year.

Inventories
Inventories are stated at the lower cost or market and are computed on a first-in, first-out basis. At the dates indicated, the components of inventory were as follows:

	September 30, 2000	December 31, 2000
(in thousands)		
Propane gas	$ 6,323	$12,256
Propane appliances and equipment	2,313	2,373
Fuel oil	14,263	24,460
Fuel oil parts and equipment	7,374	7,488
Natural gas	4,134	9,798
	$34,407	$56,375

Accounting Changes

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133) as amended by SFAS No. 137 and No. 138. SFAS No. 133 which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. It requires the recognition of all derivative instruments as assets or liabilities in the Partnership's balance sheet and measurement of those instruments at fair value and requires that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated as a hedge, and if so, the type of hedge. For derivatives designated as Cash Flow Hedges, changes in fair value are recognized in other comprehensive income until the hedged item is recognized in earnings. For derivatives recognized as Fair Value Hedges, changes in fair value are recognized in the income statement and are offset by related changes in the fair value of the item hedged. Changes in the fair value of derivative instruments, which are not designated as hedges or which do not qualify for hedge accounting are recognized currently in earnings.

The Partnership periodically hedges a portion of its oil, propane and natural gas purchases through the use of futures, options, collars and swap agreements. The purpose of the hedges is to provide a measure of stability in the volatile market of oil, propane and natural gas prices and to manage its exposure to commodity price risk under certain existing sales commitments. The Partnership also has derivative agreements that management has decided not to treat as hedge transactions for accounting purposes and as such, mark-to-market adjustments are recognized currently in earnings.

The Partnership adopted SFAS No. 133 on October 1, 2000, and records its derivatives at fair market value. As a result of adopting the Standard, the Partnership recognized current assets of $12.0 million, a $1.5 million increase in net income and a $10.5 million increase in additional other comprehensive income which were recorded as cumulative effect of a change in accounting principle. For the three month period ended December 31, 2000, the Partnership recorded a net decrease of $6.3 million to other comprehensive income for the net change in value of derivative instruments designated as cash flow hedges, and recorded a net loss of approximately $0.4 million representing the net change in the fair value of all the derivative contracts which are no longer outstanding at December 31, 2000. The fair value of these contracts is recorded in the Partnership's balance sheets. The estimated net amount of existing gains currently within other comprehensive income are expected to be reclassified into earnings within the next six months.

3) Long-term Debt

On October 25, 2000, the heating oil division completed a refinancing of $40 million of indebtedness incurred under its bank acquisition facility through the issuance of senior notes. The senior notes bear an average interest rate of 8.96% per year, have an average life of five and three-quarter years and are guaranteed by Star Gas Partners. The first maturity date of the senior notes is November 1, 2004 with a final maturity date of November 1, 2010.

4) Segment Reporting

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the Partnership has four reportable segments, as a retail distributor of heating oil, as a retail distributor of propane, a reseller of natural gas and electricity and as the public master limited partnership, Star Gas Partners. Management has chosen to organize the enterprise under these four segments in order to leverage the expertise it has in each industry, allow each segment to continue to strengthen its core competencies and provide a clear means for evaluation of operating results.

The heating oil segment is primarily engaged in the retail distribution of home heating oil, related equipment services, and equipment sales to residential and commercial customers. It operates primarily in the Northeast and Mid-Atlantic states. Home heating oil is principally used by the Partnership's residential and commercial customers to heat their homes and buildings, and as a result, weather conditions have a significant impact on the demand for home heating oil.

The propane segment is primarily engaged in the retail distribution of propane and related supplies and equipment to residential, commercial, industrial, agricultural and motor fuel customers, in the Midwest and the Northeast. Propane is used primarily for space heating, water heating and cooking by the Partnership's residential and commercial customers and as a result, weather conditions also have a significant impact on the demand for propane.

The natural gas and electric reseller segment is primarily engaged in offering natural gas and electricity to residential consumers in deregulated energy markets. In deregulated energy markets customers have a choice in selecting energy suppliers to power and / or heat their homes. As a result, a significant portion of this segment's revenue is directly related to weather conditions. TG&E operates in nine markets in the Northeast/Mid-Atlantic states where competition for energy suppliers range from independent resellers, like TG&E, to large public utilities.

The public master limited partnership segment includes the office of the Chief Executive Officer and has the responsibility for maintaining investor relations and investor reporting for the Partnership.

The following are the statements of operations and balance sheets for each segment as of and for the periods indicated. The electric and natural gas reselling segment was added beginning April 7, 2000. There were no inter-segment sales.

4) Segment Reporting - (continued)

(in thousands)	Three Months Ended								
	December 31, 1999				December 31, 2000				
Statements of Operations	Heating Oil	Propane	Partners	Consol.	Heating Oil	Propane	TG&E	Partners	Consol.
Sales:									
Product	$123,885	36,655	$ -	$160,540	$204,944	$65,649	$ 19,998	$ -	$290,591
Installation, service, and appliance	22,448	3,898	-	26,346	27,119	5,794	-	-	32,913
Total sales	146,333	40,553	-	186,886	232,063	71,443	19,998	-	323,504
Costs and expenses:									
Cost of product	68,887	17,659	-	86,546	137,094	39,417	17,875	-	194,386
Cost of installation, service, and appliances	29,512	1,373	-	30,885	34,942	1,974	-	-	36,916
Delivery and branch	29,176	11,126	-	40,302	35,677	13,657	-	-	49,334
Depreciation and amortization	5,306	3,098	-	8,404	6,273	3,133	239	2	9,647
General and administrative	2,586	1,471	624	4,681	2,390	1,670	1,692	1,141	6,893
TG&E customer acquisition expense	-	-	-	-	-	-	653	-	653
Unit compensation expense	-	-	-	-	-	-	-	500	500
Net gain (loss) on sales of assets	3	9	-	12	(13)	24	-	-	11
Operating income (loss)	10,869	5,835	(624)	16,080	15,674	11,616	(461)	(1,643)	25,186
Interest expense (income), net	4,276	2,199	(2)	6,473	5,164	2,726	526	(299)	8,117
Amortization of debt issuance costs	84	45	-	129	94	51	-	-	145
Income (loss) before income taxes	6,509	3,591	(622)	9,478	10,416	8,839	(987)	(1,344)	16,924
Income tax expense	75	38	-	113	675	41	-	-	716
Income (loss) before cumulative effect of adoption of accounting principle	6,434	3,553	(622)	9,365	9,741	8,798	(987)	(1,344)	16,208
Cumulative effect of adoption of accounting principle	-	-	-	-	2,093	(229)	(398)	-	1,466
Net income (loss)	$ 6,434	$ 3,553	$(622)	$ 9,365	$ 11,834	$ 8,569	$ (1,385)	$ (1,344)	$ 17,674
Capital expenditures	$ 453	$ 1,116	$ -	$ 1,569	$ 2,440	$ 1,621	$ 57	$ -	$ 4,118

4) Segment Reporting - (continued)

(in thousands)	September 30, 2000					December 31, 2000				
Balance Sheets	Heating Oil	Propane	TG&E	Partners	(1) Consol.	Heating Oil	Propane	TG&E	Partners	(1) Consol.
Assets										
Current assets:										
Cash and cash equivalents	$ 6,288	$ 2,765	$ 222	$ 1,635	$ 10,910	$ 5,481	$ 5,557	$ 6,613	$ 634	$ 18,285
Receivables, net	51,475	9,976	5,407	-	66,858	113,587	27,285	12,478	-	153,350

Inventories	21,637	8,636	4,134	-	34,407	31,948	14,629	9,798	-	56,375
Prepaid expenses and other current assets	12,502	1,017	2,157	-	14,815	18,608	3,731	3,488	-	24,965
Total current assets	91,902	22,394	11,920	1,635	126,990	169,624	51,202	32,377	634	252,975
Property and equipment, net	39,026	132,008	266	-	171,300	42,046	135,404	304	-	177,754
Long-term portion of accounts receivable	7,282	-	-	-	7,282	7,389	-	-	-	7,389
Investment in subsidiaries	-	69,309	-	143,036	-	-	85,298	-	179,805	-
Intangibles and other assets, net	236,069	63,003	14,174	158	313,404	242,938	63,623	14,082	216	320,859
Total assets	$374,279	$286,714	$ 26,360	$144,829	$618,976	$461,997	$335,527	$ 46,763	$180,655	$758,977

Liabilities and Partners' Capital	Heating Oil	Propane	TG&E	Partners	(1) Consol.	Heating Oil	Propane	TG&E	Partners	(1) Consol.
Current Liabilities:										
Accounts payable	$ 11,887	$ 7,436	$ 8,551	$ -	$ 27,874	$ 27,637	$ 18,114	$ 15,705	$ -	$ 61,456
Working capital facility borrowings	17,000	800	6,600	-	24,400	72,000	10,640	12,293	-	94,933
Current maturities of long-term debt	7,669	8,846	-	-	16,515	26,806	3,223	-	-	30,029
Accrued expenses and other current liabilities	36,882	4,006	1,521	-	42,410	36,929	9,300	3,753	205	50,187
Due to affiliate	(1,115)	(3,674)	-	4,789	-	(2,278)	(2,634)	(461)	5,373	-
Unearned service contract revenue	15,654	-	-	-	15,654	18,582	-	-	-	18,582
Customer credit balances	26,101	9,805	2,037	-	37,943	14,298	4,708	2,975	-	21,981
Total current liabilities	114,078	27,219	18,709	4,789	164,796	193,974	43,351	34,265	5,578	277,168
Long-term debt	186,397	122,154	1,863	-	310,414	178,154	121,577	3,103	-	302,834
Other long-term liabilities	4,495	93	-	-	4,588	4,571	97	92	-	4,760
Partners' Capital:										
Equity Capital	69,309	137,248	5,788	140,040	139,178	85,298	170,502	9,303	175,077	174,215
Total liabilities and Partners' Capital	$374,279	$286,714	$ 26,360	$144,829	$618,976	$461,997	$335,527	$ 46,763	$180,655	$758,977

(1) The consolidated amounts include the necessary entries to eliminate the investment in Petro Holdings, Star Gas Propane and TG&E.

5) Acquisitions

During the three month period ending December 31, 2000, the Partnership acquired five unaffiliated retail heating oil dealers and three unaffiliated retail propane dealers. The aggregate consideration for these acquisitions accounted for by the purchase method of accounting was approximately $19.6 million. Purchase prices have been allocated to the acquired assets and liabilities based on their respective fair market values on the dates of acquisition. The purchase prices in excess of the fair values of net assets acquired were classified as intangibles in the Condensed Consolidated Balance Sheets.

The following table indicates the allocation of the aggregate purchase price paid for these acquisitions and the respective periods of amortization assigned:

(in thousands)		Useful Lives
Land	$ 751	-
Buildings	362	30 years
Furniture and fixtures	40	10 years
Fleet	1,764	5 - 30 years
Tanks and equipment	3,069	5 - 30 years
Customer lists	7,660	7 - 15 years
Restrictive covenants	1,660	5 years
Goodwill	3,570	25 years
Working capital	745	-
Total	$19,621	

Sales and net income have been included in the Condensed Consolidated Statements of Operations from the respective dates of acquisition. The following pro forma information presents the results of operations for the three months ending December 31, 2000 of the Partnership and the acquisitions previously described, as if the acquisitions had taken place on October 1, 2000.

(in thousands, except per share data)	
Sales	$325,945
Net income	$ 17,548
General Partner's interest in net income	$ 281
Limited Partners' interest in net income	$ 17,267
Basic net income per limited partner unit	$ 0.86
Diluted net income per limited partner unit	$ 0.86

6) Supplemental Disclosure of Cash Flow Information

(in thousands)	Three Months Ended December 31,	
	1999	2000
Cash paid during the period for:		
Income taxes	$ 3	$ 16
Interest	$ 7,897	$10,187

7) Earnings Per Limited Partner Units

(in thousands, except per unit data)	Three Months Ended December 31,	
	1999	2000
Income before cumulative effect of change in accounting principle per Limited Partner unit		
Basic	$ 0.53	$ 0.80
Diluted	$ 0.53	$ 0.79
Cumulative effect of change in accounting principle per Limited Partner unit		
Basic	$ -	$ 0.07
Diluted	$ -	$ 0.07
Net income per Limited Partner unit		
Basic	$ 0.53	$ 0.87
Diluted	$ 0.53	$ 0.86
Basic Earnings Per Unit:		
Net income	$ 9,365	$17,674
Less: General Partner's interest in net income	174	283
Limited Partner's interest in net income	$ 9,191	$17,391
Common Units	14,378	17,052
Senior Subordinated Units	2,477	2,676
Junior Subordinated Units	345	345
Weighted average number of Limited Partner units outstanding	17,200	20,073
Basic earnings per unit	$ 0.53	$ 0.87
Diluted Earnings Per Unit:		
Limited Partners' interest in net income	$ 9,191	$17,391
Weighted average number of Limited Partner units outstanding	17,200	20,073
Senior subordinated units anticipated to be issued under employee incentive plan	-	113
Diluted number of Limited Partner units	17,200	20,186
Diluted earnings per unit	$ 0.53	$ 0.86

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8) Subsequent Events

Cash Distribution
On January 18, 2001, the Partnership announced that it would pay a cash distribution of $0.575 per Unit on all units for the three months ended December 31, 2000. The distributions will be paid on February 14, 2001 to holders of record as of February 5, 2001.

Acquisitions
On January 16, 2001, the Partnership completed the acquisition of certain assets of a distributor of home heating oil located in New York City, with annual sales of 35.0 million gallons of heating oil and 13.0 million gallons of commercial fuels. On February 2, 2001, the Partnership also completed the acquisition of certain assets of a retail propane distributor, located in the states of Wisconsin, Minnesota, Florida and Georgia, with annual sales of 22.0 million gallons of propane.

Equity Offering
On January 25, 2001, the Partnership sold 2.2 million Common Units (including the exercise of the over-allotment option) of limited partner interests in a publicly underwritten offering. The offering price was $17.4375 per unit. A portion of the net proceeds will be used to repay $12.1 million of the heating oil operations' revolving acquisition line of credit. The balance of the net proceeds will be used to fund acquisitions, and for the growth capital expenditures.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statement Regarding Forward-Looking Disclosure

This Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act which represent the Partnership's expectations or beliefs concerning future events that involve risks and uncertainties, including those associated with the effect of weather conditions on the Partnership's financial performance, the price and supply of home heating oil, propane, electricity and natural gas and the ability of the Partnership to obtain new accounts and retain existing accounts. All statements other than statements of historical facts included in this Report including, without limitation, the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere herein, are forward-looking statements. Although the Partnership believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Partnership's expectations ("Cautionary Statements") are disclosed in this Report, including without limitation and in conjunction with the forward-looking statements included in this report. All subsequent written and oral forward-looking statements attributable to the Partnership or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements.

Overview

In analyzing the financial results of the Partnership, the following matters should be considered.

The Total Gas and Electric (TG&E) acquisition was made on April 7, 2000. Accordingly, the results of operations for the three month period ended December 31, 2000 include TG&E's results whereas the results for the previous corresponding quarter do not include TG&E's results.

The primary use for heating oil, propane and natural gas is for space heating in residential and commercial applications. As a result, weather conditions have a significant impact on financial performance and should be considered when analyzing changes in financial performance. In addition, gross margins vary according to customer mix. For example, sales to residential customers generate higher profit margins than sales to other customer groups, such as agricultural customers. Accordingly, a change in customer mix can effect gross margins without necessarily impacting total sales.

Also, the heating oil, propane and natural gas industries are seasonal in nature with peak activity occurring during the winter months. Accordingly, results of operations for the periods presented are not indicative of the results to be expected for a full year.

THREE MONTHS ENDED DECEMBER 31, 2000
COMPARED TO THREE MONTHS ENDED DECEMBER 31, 1999

Volume

For the three months ended December 31, 2000, retail volume of home heating oil and propane increased 38.8 million gallons, or 28.5%, to 174.9 million gallons, as compared to 136.1 million gallons for the three months ended December 31, 1999. This increase was due to an additional 26.8 million gallons provided by the heating oil segment and a 12.1 million gallon increase in the propane segment. Volume increased in the heating oil and propane segments largely due to the impact of colder temperatures, additional volume provided by acquisitions and as a result of internal growth. Temperatures in the Partnership's areas of operations were an average of 25.3% colder than in the prior year's comparable quarter and 11.0% colder than normal.

Sales

For the three months ended December 31, 2000, sales increased $136.6 million, or 73.1%, to $323.5 million, as compared to $186.9 million for the three months ended December 31, 1999. This increase was due to an additional $85.7 million provided by the home heating oil segment, $20.0 million of TG&E sales and a $30.9 million increase in the propane segment. Sales rose in both the heating oil and propane segments due to increased selling prices and from increased retail volume. Selling prices increased versus the prior year's comparable period in response to higher supply costs. Sales also increased in the heating oil division by $4.7 million and by $1.9 million in the propane division due to increases in the sales of rationally related products including heating equipment installation and service and water softeners.

Cost of Product

For the three months ended December 31, 2000, cost of product increased $107.8 million, or 124.6%, to $194.4 million, as compared to $86.5 million for the three months ended December 31, 1999. This increase was due to an additional $68.2 million of cost of product at the home heating segment, $17.9 million of TG&E cost of product and a $21.8 million increase in the propane segment. The cost of product for both the heating oil and propane segments increased due to the impact of higher supply cost and as a result of higher retail volume sales. While selling prices and supply cost increased on a per gallon basis for both the heating oil and propane divisions the increase in selling prices was greater than the increase in supply costs, which resulted in an increase in per gallon margins.

Cost of Installation, Service and Appliances

For the three months ended December 31, 2000, cost of installation, service and appliances increased $6.0 million, or 19.5%, to $36.9 million, as compared to $30.9 million for the three months ended December 31, 1999. This increase was due to an additional $5.4 million of expenses for the heating oil segment and a $0.6 million increase in cost for the propane segment. The cost of installation, service and appliances for both the heating oil and propane segments increased due to the additional sales of rationally related products and to a lesser extent as a result of additional service cost due to the colder temperatures.

Delivery and Branch Expenses

For the three months ended December 31, 2000, delivery and branch expenses increased $9.0 million, or 22.4%, to $49.3 million, as compared to $40.3 million for the three months ended December 31, 1999. This increase was due to an additional $6.5 million of delivery and branch expenses at the heating oil segment and a $2.5 million increase in delivery and branch expenses for the propane segment. Delivery and branch expenses increased both at the heating oil and propane segments due to additional operating cost associated with higher retail volume sales, inflation and for additional operating cost of acquired companies.

Depreciation and Amortization Expenses

For the three months ended December 31, 2000, depreciation and amortization expenses increased $1.2 million, or 14.8%, to $9.6 million, as compared to $8.4 million for the three months ended December 31, 1999. This increase was primarily due to $0.2 million of depreciation and amortization expense for TG&E and additional depreciation and amortization for heating oil and propane acquisitions.

General and Administrative Expenses

For the three months ended December 31, 2000, general and administrative expenses increased $2.2 million, or 47.3%, to $6.9 million, as compared to $4.7 million for the three months ended December 31, 1999. The increase was due to $1.7 million of TG&E general and administrative expenses and a $0.5 million increase in general and administrative expenses at the Partnership level. The Partnership level increase was primarily due to an accrual for compensation earned for unit appreciation rights previously granted and for professional fees incurred for the recruitment of certain executive positions.

TG&E Customer Acquisition Expense

For the three months ended December 31, 2000, TG&E customer acquisition expense was $0.7 million. This TG&E segment expense is for the cost of acquiring new accounts through the services of a third party direct marketing company.

Unit Compensation Expense

For the three months ended December 31, 2000, unit compensation expense was $0.5 million. This expense was incurred under the Partnership's Unit Incentive Plan whereby certain employees and outside directors were granted senior subordinated units as an incentive for increased efforts during employment and as an inducement to remain in the service of the Partnership.

Interest Expense, net

For the three months ended December 31, 2000, net interest expense increased $1.6 million, or 25.4%, to $8.1 million, as compared to $6.5 million for the three months ended December 31, 1999. This increase was due to additional interest expense for higher working capital borrowings necessitated by the higher cost of product as well as for additional interest expense for the financing of propane and heating oil acquisitions.

Income Tax Expense

For the three months ended December 31, 2000, income tax expense increased $0.6 million to $0.7 million, as compared to $0.1 million for the three months ended December 31, 1999. This increase was due to additional state income taxes for higher pretax earnings achieved for the three months ended December 31, 2000.

Cumulative Effect of Adoption of Accounting Principle

For the three months ended December 31, 2000, the Partnership recorded a $1.5

million increase in income arising from the adoption of SFAS No. 133.

Net Income

For the three months ended December 31, 2000, net income increased $8.3 million, or 88.7%, to $17.7 million, as compared to $9.4 million for the three months ended December 31, 1999. The increase was due to an additional $5.4 million of net income at the heating oil segment and a $5.0 million increase in net income at the propane segment. The improvement in the net income for these segments was due to colder weather, per gallon improvement in gross profit margins and as a result of internal growth. Partially offsetting these increases in net income were $1.4 million of net loss for TG&E and $0.7 million more of net loss at the Partnership level, largely the result of the increase in unit compensation expense recorded at the Partnership level.

Earnings before interest, taxes, depreciation and amortization, TG&E customer acquisition expense and unit compensation expense, less net gain (loss) on sales of assets (EBITDA)

For the three months ended December 31, 2000, earnings before interest, taxes, depreciation and amortization, TG&E customer acquisition expense and unit compensation expense, less net gain (loss) on sales of assets (EBITDA) increased $11.5 million, or 47.0% to $36.0 million as compared to $24.5 million, for the three months ended December 31, 1999. This increase was due to $5.8 million of additional EBITDA generated by the heating oil segment, $0.4 million of TG&E EBITDA, a $5.8 million increase in the propane segment EBITDA partially offset by $0.5 million of additional expenses at the Partnership level. The increase in the heating oil and propane segments was due to additional EBITDA provided by the impact of colder temperatures, acquisitions, higher per gallon gross profit margins and by internal growth. 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 the Partnership's ability to make the Minimum Quarterly Distribution. The definition of "EBITDA" set forth above may be different from that used by other companies.

Liquidity and Capital Resources

During October 2000, the Partnership sold 1.5 million common units (including 0.2 million of overallotment units exercised), the net proceeds of which, net of underwriter's discount, commission, and offering expenses was $23.4 million. These funds combined with net cash provided by $40.4 million in net working capital and acquisition facility borrowings, $40.3 million of long-term debt borrowings ($40.0 million of senior secured notes and $0.3 million of acquisition related notes) and $0.1 million in proceeds from the sale of fixed assets amounted to $104.2 million. Such funds were used for operating activities of $57.5 million, acquisitions of $19.6 million, distributions of $10.7 million, debt repayment of $4.3 million, capital expenditures of $4.1 million and other financing activities of $0.6 million. As a result of the above activity, cash increased by $7.4 million to $18.3 million.

The $40.0 million of senior secured notes mentioned above were issued to three institutional lenders by the heating oil segment to complete a refinancing of $40.0 million of indebtedness incurred under its bank acquisition facility. The senior notes bear interest at the rate of 8.96% per year and have an average life of five and three-quarter years with a final maturity date of November 1, 2010.

On January 25, 2001, the Partnership sold 2.2 million Common Units (including the exercise of the over-allotment option) of limited partner interests in a publicly underwritten offering. The offering price was $17.4375 per unit. A portion of the net proceeds will be used to repay $12.1 million of the heating oil operations' revolving acquisition line of credit. The balance of the net proceeds will be used to fund acquisitions, and for the growth capital expenditures.

For the remainder of fiscal 2001, the Partnership anticipates paying interest of approximately $23 million and anticipates growth and maintenance capital additions of approximately $11 million. In addition, the Partnership plans to pay distributions on its units in accordance with the partnership agreement. The

Partnership also plans to pursue strategic acquisitions as part of its business strategy and to prudently fund such acquisitions through a combination of debt and equity. Based on its current cash position, bank credit availability and net cash from operating activities, the Partnership expects to be able to meet all of its obligations for fiscal 2001.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Partnership is exposed to interest rate risk primarily through its bank credit facilities. The Partnership utilizes these borrowings to meet its working capital needs and also to fund the short-term needs of its acquisition program.

At December 31, 2000, the Partnership had outstanding borrowings of approximately $105.7 million under its Bank Credit Facilities. In the event that interest rates associated with these facilities were to increase 100 basis points, the impact on future cash flows would be a decrease of approximately $1.1 million annually.

The Partnership also selectively uses derivative financial instruments to manage its exposure to market risk related to changes in the current and commodity market price of home heating oil, propane and natural gas. The Partnership does not hold derivatives for trading purposes. The value of market sensitive derivative instruments is subject to change as a result of movements in market prices. Consistent with the nature of hedging activity, associated unrealized gains and losses would be offset by corresponding decreases or increases in the purchase price the Partnership would pay for the product being hedged. Sensitivity analysis is a technique used to evaluate the impact of hypothetical market value changes. Based on a hypothetical ten percent increase in the cost of product at December 31, 2000, the potential unrealized gain on the Partnership's hedging activity would be increased by $3.6 million to an unrealized gain of $5.3 million; and conversely a hypothetical ten percent decrease in the cost of product would be a decrease of $3.5 million to an unrealized loss of $1.8 million.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits Included Within:

(27) Financial Data Schedule

(b) Reports on Form 8-K:

10/25/00 This Form 8-K consists of the following historical press release: Star Gas Partners, L.P. Reports Significant EBITDA Improvement in Fiscal 2000 Third Quarter Declares Common Unit Distribution and Announces Commencement of Senior Subordinated Unit Distribution (Released July 25, 2000).

10/27/00 This Form 8-K consists of a copy of the underwriting agreement for a firm commitment public offering of 1,300,000 common units of the registrant that were previously registered pursuant to a shelf registration statement on Form S-3 (SEC File No. 333-94031).

SIGNATURE

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

Star Gas Partners, L.P.
By: Star Gas LLC (General Partner)

Signature	Title	Date
/s/ George Leibowitz George Leibowitz	Chief Financial Officer Star Gas LLC (Principal Financial Officer)	February 8, 2001
/s/ James J. Bottiglieri James J. Bottiglieri	Vice President Star Gas LLC	February 8, 2001

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM STAR GAS PARTNERS, L.P. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2000 AND CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE INTERIM PERIOD OCTOBER 1, 2000 THROUGH DECEMBER 31, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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