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, 2003

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 [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes [X] No [ ]

At July 11, 2003, the registrant had units outstanding as follows:

Heritage Propane Partners, L.P.	17,947,111	Common Units

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HERITAGE PROPANE PARTNERS, L.P.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)
(unaudited)

	May 31, 2003	August 31, 2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,089	$ 4,596
Marketable securities	2,294	2,559
Accounts receivable, net of allowance for doubtful accounts	42,688	30,898
Inventories	25,726	48,187
Assets from liquids marketing	570	2,301
Prepaid expenses and other	3,044	6,846
Total current assets	81,411	95,387
PROPERTY, PLANT AND EQUIPMENT, net	428,747	400,044
INVESTMENT IN AFFILIATES	9,243	7,858
GOODWILL, net of amortization prior to adoption of SFAS No. 142	157,254	155,735
INTANGIBLES AND OTHER ASSETS, net	53,751	58,240
Total assets	$ 730,406	$ 717,264
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Working capital facility	$ -	$ 30,200
Accounts payable	32,423	40,929
Accounts payable to related companies	7,653	5,002
Accrued and other current liabilities	22,020	23,962
Liabilities from liquids marketing	552	1,818
Current maturities of long-term debt	25,453	20,158
Total current liabilities	88,101	122,069
LONG-TERM DEBT, less current maturities	385,950	420,021
MINORITY INTERESTS	4,746	3,564
Total liabilities	478,797	545,654
COMMITMENTS AND CONTINGENCIES		
PARTNERS' CAPITAL:		
Common Unitholders (17,947,111 and 15,815,847 units issued and outstanding at May 31, 2003 and August 31, 2002, respectively)	250,747	173,677
Class C Unitholders (1,000,000 units issued and outstanding at May 31, 2003 and August 31, 2002)	-	-
General Partner	2,400	1,585
Accumulated other comprehensive loss	(1,538)	(3,652)
Total partners' capital	251,609	171,610
Total liabilities and partners' capital	$ 730,406	$ 717,264

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,		Nine Months Ended May 31,	
	2003	2002	2003	2002
REVENUES:				
Retail fuel	$ 103,340	$ 82,312	$ 400,093	$ 317,941
Wholesale fuel	9,699	8,865	41,265	35,992
Liquids marketing	22,961	40,113	163,278	138,259
Other	12,444	11,348	46,334	42,184
Total revenues	148,444	142,638	650,970	534,376
COSTS AND EXPENSES:				
Cost of products sold	66,781	52,303	252,221	209,681
Liquids marketing	22,705	38,629	161,963	138,407
Operating expenses	39,535	33,823	118,230	100,624
Depreciation and amortization	9,579	9,910	28,291	28,574
Selling, general and administrative	4,603	3,539	12,451	9,648
Total costs and expenses	143,203	138,204	573,156	486,934
OPERATING INCOME	5,241	4,434	77,814	47,442
OTHER INCOME (EXPENSE):				
Interest expense	(8,950)	(9,205)	(27,563)	(27,924)
Equity in earnings of affiliates	504	430	1,687	1,599
Gain on disposal of assets	517	227	672	942
Other	(103)	(150)	(2,649)	(342)
INCOME (LOSS) BEFORE MINORITY INTERESTS AND INCOME TAXES	(2,791)	(4,264)	49,961	21,717
Minority interests	(80)	(55)	(1,021)	(685)
INCOME (LOSS) BEFORE TAXES	(2,871)	(4,319)	48,940	21,032
Income taxes	199	-	1,483	-
NET INCOME (LOSS)	(3,070)	(4,319)	47,457	21,032
GENERAL PARTNER'S INTEREST IN NET INCOME (LOSS)	216	174	1,164	861
LIMITED PARTNERS' INTEREST IN NET INCOME (LOSS)	$ (3,286)	$ (4,493)	$ 46,293	$ 20,171
BASIC NET INCOME (LOSS) PER LIMITED PARTNER UNIT	$ (0.20)	$ (0.28)	$ 2.86	$ 1.28
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	16,574,582	15,805,847	16,189,029	15,713,694
DILUTED NET INCOME (LOSS) PER LIMITED PARTNER UNIT	$ (0.20)	$ (0.28)	$ 2.85	$ 1.28
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING	16,574,582	15,805,847	16,227,061	15,754,704

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,		Nine Months Ended May 31,	
	2003	2002	2003	2002
Net income (loss)	$ (3,070)	$ (4,319)	$ 47,457	$ 21,032
Other comprehensive income (loss)				
Reclassification adjustment for gains on derivative instruments included in net income	(125)	-	(552)	-
Reclassification adjustment for losses on available-for-sale securities included in net income	-	-	2,376	-
Change in value of derivative instruments	(405)	-	552	-
Change in value of available-for-sale securities	(253)	(87)	(262)	(702)
Comprehensive income (loss)	$ (3,853)	$ (4,406)	$ 49,571	$ 20,330

RECONCILIATION OF ACCUMULATED OTHER COMPREHENSIVE LOSS

Balance, beginning of period	$ (755)	$ (3,850)	$ (3,652)	$ (6,541)
Current period reclassification to earnings	(125)	1,158	1,824	7,016
Current period change	(658)	(87)	290	(3,254)
Balance, end of period	$ (1,538)	$ (2,779)	$ (1,538)	$ (2,779)

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		$ in Thousands				
	Common	Class C	Common	Class C	General Partner	Accumulated Other Comprehensive Loss	Total
BALANCE, AUGUST 31, 2002	15,815,847	1,000,000	$ 173,677	$ -	$ 1,585	$ (3,652)	$ 171,610
Unit distribution	-	-	(30,600)	-	(977)	-	(31,577)
Issuance of common units	1,610,000	-	44,758	-		-	44,758
General Partner capital contribution	(32,692)	-	(957)	-	476	-	(481)
Conversion of phantom units	2,500	-	-	-	-	-	-
Issuance of Common Units in connection with certain acquisitions	551,456	-	15,000	-	152	-	15,152
Other	-	-	2,576	-	-	-	2,576
Net change in accumulated other comprehensive income per accompanying statements	-	-	-	-	-	2,114	2,114
Net income	-	-	46,293	-	1,164	-	47,457
BALANCE, MAY 31, 2003	17,947,111	1,000,000	$ 250,747	$ -	$ 2,400	$ (1,538)	$ 251,609

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, 2003	Nine Months Ended May 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 47,457	$ 21,032
Reconciliation of net income to net cash provided by operating activities-		
Depreciation and amortization	28,291	28,574
Provision for loss on accounts receivable	1,978	1,030
Loss on write down of marketable securities	2,400	-
Gain on disposal of assets	(672)	(942)
Deferred compensation on restricted units and long-term incentive plan	2,579	1,409
Undistributed earnings of affiliates	(1,384)	(1,599)
Minority interests	681	154
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(10,272)	3,258
Inventories	24,392	26,449
Assets from liquids marketing	1,730	5,633
Prepaid and other expenses	3,872	11,277
Intangibles and other assets	(205)	(666)
Accounts payable	(8,650)	(10,589)
Accounts payable to related companies	2,651	(2,251)
Accrued and other current liabilites	(3,011)	(10,876)
Liabilities from liquids marketing	(1,266)	(6,393)
Net cash provided by operating activities	90,571	65,500
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisitions, net of cash acquired	(23,313)	(16,886)
Capital expenditures	(21,200)	(20,020)
Proceeds from the sale of assets	3,113	11,138
Other	-	(854)
Net cash used in investing activities	(41,400)	(26,622)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	127,029	122,850
Net proceeds from issuance of Common Units	44,758	-
Principal payments on debt	(187,036)	(132,186)
Unit distributions	(31,577)	(30,747)
Other	148	(58)
Net cash used in financing activities	(46,678)	(40,141)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,493	(1,263)
CASH AND CASH EQUIVALENTS, beginning of period	4,596	5,620
CASH AND CASH EQUIVALENTS, end of period	$ 7,089	$ 4,357
NONCASH FINANCING ACTIVITIES:		
Notes payable incurred on noncompete agreements	$ 1,031	$ 2,755
Issuance of Common Units in connection with certain acquistions	$ 15,000	$ -
General Partner capital contribution	$ 957	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 26,089	$ 26,362

The accompanying notes are an integral part of these financial statements

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 the consolidated financial statements of Heritage Propane Partners, L.P. and subsidiaries (the "Partnership") as of August 31, 2002, 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 27, 2002. 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.

In order to simplify the Partnership's obligations under the laws of several jurisdictions in which it conducts business, the Partnership's activities are conducted through a subsidiary operating partnership, Heritage Operating, L.P. (the "Operating Partnership"). The Partnership and the Operating Partnership are collectively referred to in this report as "Heritage." Heritage sells propane and propane-related products to more than 650,000 active residential, commercial, industrial, and agricultural customers in 29 states. Heritage is also a wholesale propane supplier in the United States and in Canada, the latter through participation in MP Energy Partnership. MP Energy Partnership is a Canadian partnership, in which Heritage owns a 60% interest, engaged in lower-margin wholesale distribution and in supplying Heritage's northern U.S. locations. Heritage buys and sells financial instruments for its own account through its wholly owned subsidiary, Heritage Energy Resources, L.L.C. ("Resources").

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, MP Energy Partnership, Heritage Service Corp., Guilford Gas Service, Inc., and Resources. Heritage accounts for its 50% partnership interest in Bi-State Propane, a propane retailer in the states of Nevada and California, under the equity method. All significant intercompany transactions and accounts have been eliminated in consolidation. For purposes of maintaining partner capital accounts, the Partnership Agreement of Heritage Propane Partners, L.P. (the "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% to the General Partner. For the three months and nine months ended May 31, 2003, the 1.0101% general partner interest in the Operating Partnership held by the General Partner, U.S. Propane, L.P. ("U.S. Propane"), was accounted for in the consolidated financial statements as a minority interest. On February 4, 2002, at a special meeting of the Partnership's Common Unitholders, the Common Unitholders approved the substitution of U.S. Propane as the successor General Partner of the Partnership and the Operating Partnership, replacing Heritage Holdings, Inc. ("Heritage Holdings"). For the three months and the nine months ended May 31, 2002, the 1.0101% general partner interest of the former General Partner, Heritage Holdings, and U.S. Propane's 1.0101% limited partner interest in the Operating Partnership were accounted for in the consolidated financial statements as minority interests.

ACCOUNTS RECEIVABLE

Heritage grants credit to its customers for the purchase of propane and propane-related products. Included in accounts receivable are trade accounts receivable arising from the Partnership's retail and wholesale propane operations and receivables arising from Resources' liquids marketing activities. Accounts receivable are recorded as amounts billed to customers less an allowance for doubtful accounts. The allowance for doubtful accounts is based on management's assessment of the realizability of customer accounts. Management's assessment is based on the overall creditworthiness of the Partnership's customers and any specific disputes. Receivables related to liquids marketing activities are $2,479 and $4,332 as of May 31, 2003 and August 31, 2002, respectively. Accounts receivable consisted of the following:

	May 31, 2003	August 31, 2002
Accounts receivable	$ 46,192	$ 33,402
Less - allowance for doubtful accounts	3,504	2,504
Total, net	$ 42,688	$ 30,898

The activity in the allowance for doubtful accounts consisted of the following:

	For the nine months ended	
	May 31, 2003	May 31, 2002
Balance, beginning of the period	$ 2,504	$ 3,576
Provision for loss on accounts receivable	1,978	1,030
Accounts receivable written off, net of recoveries	(978)	(1,096)
Balance, end of period	$ 3,504	$ 3,510

INVENTORIES

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

	May 31, 2003	August 31, 2002
Fuel	$ 15,055	$ 38,523
Appliances, parts and fittings	10,671	9,664
Total inventories	$ 25,726	$ 48,187

RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform with the May 31, 2003 presentation. These reclassifications have no impact on net income or net assets.

INCOME TAXES

Heritage is a master limited partnership. As a result, Heritage's earnings or losses for federal and state income tax purposes are included in the tax returns of the individual partners. Accordingly, no recognition has been given to income taxes in the accompanying financial statements of Heritage except those anticipated to be incurred by corporate subsidiaries of Heritage that are subject to income taxes. Net earnings for financial statement purposes may differ significantly from taxable income reportable to unitholders as a result of differences between the tax basis and financial reporting basis of assets and liabilities and the taxable income allocation requirements under the Partnership Agreement.

STOCK BASED COMPENSATION PLANS

The Partnership accounts for its Restricted Unit Plan and Long-Term Incentive Plan using APB Opinion No. 25 Accounting for Stock Issued to Employees. These plans are classified as variable plans so that estimates of compensation are required based on a combination of the fair market value of the Common Units as of the end of the reporting period and the extent or degree of compliance with the performance criteria. Heritage follows the disclosure only provision of Statement of Financial Accounting Standards No. 123 Accounting for Stock-based Compensation (SFAS 123). Pro forma net income and net income per limited partner unit under the fair value method of accounting for equity instruments under SFAS 123 would not be significantly different than reported net income and net income per limited partner unit.

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 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 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 net income per unit is as follows:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2003	2002	2003	2002
BASIC NET INCOME (LOSS) PER LIMITED PARTNER UNIT:				
Limited Partners' interest in net income (loss)	$ (3,286)	$ (4,493)	$ 46,293	$ 20,171
Weighted average limited partner units	16,574,582	15,805,847	16,189,029	15,713,694
Basic net income (loss) per limited partner unit	$ (0.20)	$ (0.28)	$ 2.86	$ 1.28
DILUTED NET INCOME (LOSS) PER LIMITED PARTNER UNIT:				
Limited partners' interest in net income (loss)	$ (3,286)	$ (4,493)	$ 46,293	$ 20,171
Weighted average limited partner units	16,574,582	15,805,747	16,189,029	15,713,694
Dilutive effect of phantom units	-	-	38,032	41,010
Weighted average limited partner units, assuming dilutive effect of phantom units	16,574,582	15,805,747	16,227,061	15,754,704
Diluted net income (loss) per limited partner unit	$ (0.20)	$ (0.28)	$ 2.85	$ 1.28

QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

The Partnership Agreement requires that the Partnership 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 the Partnership's business, to comply with applicable laws or any 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 Partnership Agreement.

Prior to the Special Meeting on February 4, 2002, distributions by the Partnership in an amount equal to 100% of Available Cash were made 97% to the Common Unitholders, 1.0101% to U.S. Propane for its limited partner interest in the Operating Partnership, and 1.9899% to the former General Partner, Heritage Holdings. After the approval by the Common Unitholders of the substitution of U.S. Propane as the General Partner, distributions by the Partnership in an amount equal to 100% of Available Cash will generally be made 98% to the Common Unitholders and 2% to the General Partner, 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.

Distributions are made approximately 45 days following November 30, February 28, May 31, and August 31 to unitholders on the applicable record date. On June 23, 2003, the Partnership declared a cash distribution for the third quarter ended May 31, 2003 of $0.6375 per unit, or $2.55 per unit annually, payable on July 15, 2003 to Unitholders of record at the close of business on July 7, 2003. In addition to these quarterly distributions, the General Partner received quarterly distributions for its general partner interest in the Partnership, its minority interest, and incentive distributions to the extent the quarterly distribution exceeded $0.55 per unit.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Heritage applies Financial Accounting Standards Board ("FASB") 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 statement of operations.

Heritage had certain call options that settled during the nine months ended May 31, 2003 that were designated as cash flow hedging instruments in accordance with SFAS 133. The call options gave Heritage the right, but not the obligation, to buy a specified number of gallons of propane at a specified price at any time until a specified expiration date. Heritage entered into these options to hedge pricing on the forecasted propane volumes to be purchased during each of the one-month periods ending February 2003 and March 2003. Heritage utilizes hedging transactions to provide price protection against significant fluctuations in propane prices. Heritage reclassified into earnings gains of $125 and $552 for the three and nine months ended May 31, 2003, and losses of $1,158 and $7,016 for the three and nine months ended May 31, 2002 that were previously reported in accumulated other comprehensive income (loss). There were no such financial instruments outstanding as of May 31, 2003.

MARKETABLE SECURITIES

Heritage's marketable securities are classified as available-for-sale securities and are reflected as a current asset on the consolidated balance sheet at their fair value. During the nine months ended May 31, 2003, Heritage determined there was a non-temporary decline in the market value of its available-for-sale securities, and reclassified into earnings a loss of $2,376, which is net of minority interest and is recorded in other expense. Unrealized holding losses of $253 and $262 for the three and nine months ended May 31, 2003, and $87 and $702 for the three and nine months ended May 31, 2002, respectively, were recorded through accumulated other comprehensive loss based on the market value of the securities.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2001, the FASB issued Statement No. 143, Accounting for Asset Retirement Obligations (SFAS 143). SFAS 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 adopted the provisions of SFAS 143 on September 1, 2002. The adoption of SFAS 143 did not have a material impact on the Partnership's consolidated financial position or results of operations.

In August 2001, the FASB issued Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). SFAS 144 supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of (SFAS 121), 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. SFAS 144 retains the fundamental provisions of SFAS 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. Heritage adopted the provisions of SFAS 144 on September 1, 2002. The adoption of SFAS 144 did not have a material impact on the Partnership's consolidated financial position or results of operations.

In April 2002, the FASB issued Statement No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections (SFAS 145). SFAS 145 rescinds FASB Statement No. 4, Reporting Gains and Losses from Extinguishment of Debt, and an amendment of that Statement, FASB Statement No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements. SFAS 145 also rescinds FASB Statement No. 44, Accounting for Intangible Assets of Motor Carriers, amends FASB Statement No. 13, Accounting for Leases, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions and also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. Heritage adopted the provisions of SFAS 145 on September 1, 2002. The adoption did not have a material impact on the Partnership's consolidated financial position or results of operations.

In June 2002, the FASB issued Statement No. 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS 146). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. Heritage adopted the provisions of SFAS 146 effective for exit or disposal activities that are initiated after December 31, 2002. The adoption did not have a material impact on the Partnership's consolidated financial position or results of operations.

In December 2002, the FASB issued Statement No. 148 Accounting for Stock-Based Compensation -Transition and Disclosure (SFAS 148). The statement amends FASB Statement No. 123 Accounting for Stock-Based Compensation (SFAS 123) to provide alternative methods of transitions for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS 148 are effective for fiscal years ending after July 31, 2003, with earlier application permitted, and the interim disclosure requirements of SFAS 148 are effective for periods beginning after December 15, 2002. Heritage adopted the interim disclosure requirements of SFAS 148 as of May 31, 2003. Heritage will adopt the provisions of SFAS 148 as of September 1, 2003. Management does not believe the adoption of the remaining requirements of SFAS 148 will have a material impact on the Partnership's consolidated financial position or results of operations.

RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET ADOPTED

In October 2002, the Emerging Issues Task Force ("EITF") of the FASB discussed EITF Issue No. 02-3, Issues Related to Accounting for Contracts Involved in Energy Trading and Risk Management Activities (EITF 02-3). The EITF reached a consensus to rescind EITF Issue No. 98-10, Accounting for Contracts Involved in Energy Trading and Risk Management Activities (EITF 98-10), the impact of which is to preclude mark-to-market accounting for energy trading contracts not within the scope of SFAS 133. The EITF also reached a consensus that gains and losses on derivative instruments within the scope of SFAS 133 should be shown net in the statement of operations if the derivative instruments are held for trading purposes. The consensus regarding the rescission of EITF 98-10 is applicable for fiscal periods beginning after December 15, 2002. Energy trading contracts not within the scope of SFAS 133 purchased after October 25, 2002, but prior to the implementation of the consensus, are not permitted to apply mark-to-market accounting. Heritage will adopt the provisions of EITF 02-3 as of September 1, 2003. Management has not yet determined the impact the adoption of EITF 02-3 will have on the Partnership's financial position or results of operations.

In April 2003, the FASB issued Statement No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities (SFAS 149). SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. Management does not believe that the adoption will have a material impact on the Partnership's consolidated financial position or results of operations.

In May 2003, the FASB issued Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within the scope of SFAS 150 as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Management does not believe that the adoption will have a material impact on the Partnership's consolidated financial position or results of operations.

PROFORMA RESULTS

On January 2, 2003, Heritage purchased the propane assets of V-1 Oil Co. ("V-1") of Idaho Falls, Idaho for total consideration of $34.2 million after post-closing adjustments. The acquisition price was payable $19.2 million in cash, with $17.3 million of that amount financed by the Acquisition Facility, and by the issuance of 551,456 Common Units of Heritage valued at $15.0 million. V-1's propane distribution network included 35 customer service locations in Colorado, Idaho, Montana, Oregon, Utah, Washington, and Wyoming. The results of operations of V-1 from January 2, 2003 to May 31, 2003 are included in the consolidated statement of operations of Heritage for the three and nine months ended May 31, 2003.

The following unaudited pro forma consolidated results of operations are presented as if the acquisition of V-1 had been made at the beginning of the periods presented:

	Three months ended May 31,	Nine months ended May 31,	
	2002	2003	2002
Total revenues	$ 149,409	$ 662,184	$ 560,602
Limited partners' interest in net income	$ (4,574)	$ 47,889	$ 22,378
Basic net income per limited partner unit	$ (0.28)	$ 2.91	$ 1.38
Diluted net income per limited partner unit	$ (0.28)	$ 2.91	$ 1.37

The pro forma consolidated results of operations include adjustments to give effect to depreciation on the step-up of property, plant and equipment, amortization of customer lists, interest expense on acquisition debt, and certain other adjustments. 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 periods presented or the future results of the combined operations.

3. WORKING CAPITAL FACILITY AND LONG-TERM DEBT:

During the quarter ended May 31, 2003, Heritage used approximately $35.9 million of the $44.8 million net proceeds from the sale of the Partnership's Common Units to repay a portion of the indebtedness outstanding under various tranches of its Senior Secured Notes. Long-term debt consists of the following:

	May 31, 2003	August 31, 2002
1996 8.55% Senior Secured Notes	$ 108,000	$ 108,000
1997 Medium Term Note Program:		
7.17% Series A Senior Secured Notes	12,000	12,000
7.26% Series B Senior Secured Notes	20,000	20,000
6.50% Series C Senior Secured Notes	2,143	2,857
6.59% Series D Senior Secured Notes	-	4,444
6.67% Series E Senior Secured Notes	-	5,000
2000 and 2001 Senior Secured Promissory Notes:		
8.47% Series A Senior Secured Notes	16,000	16,000
8.55% Series B Senior Secured Notes	32,000	32,000
8.59% Series C Senior Secured Notes	27,000	27,000
8.67% Series D Senior Secured Notes	58,000	58,000
8.75% Series E Senior Secured Notes	7,000	7,000
8.87% Series F Senior Secured Notes	40,000	40,000
7.21% Series G Senior Secured Notes	19,000	26,500
7.89% Series H Senior Secured Notes	8,000	27,500
7.99% Series I Senior Secured Notes	16,000	16,000
Senior Revolving Acquisition Facility	24,100	14,000
Notes Payable on noncompete agreements with interest imputed at rates averaging 7%, due in installments through 2012, collateralized by a first security lien on certain assets of Heritage	21,035	22,314
Other	1,125	1,564
Current maturities of long-term debt	(25,453)	(20,158)
Total	$ 385,950	$ 420,021

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 is available through June 30, 2004. 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%. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts, and the capital stock of Heritage's subsidiaries secure the Senior Revolving Working Capital Facility. As of May 31, 2003, the Senior Revolving Working Capital Facility had no outstanding balance.

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. 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 3.04% for the amount outstanding at May 31, 2003. The maximum commitment fee payable on the unused portion of the facility is 0.50%. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts, and the capital stock of Heritage's subsidiaries secure the Senior Revolving Acquisition Facility. As of May 31, 2003, the Senior Revolving Acquisition Facility had a balance outstanding of $24,100.

4. REPORTABLE SEGMENTS:

The Partnership's financial statements reflect four reportable segments: the domestic retail operations of Heritage, the domestic wholesale operations of Heritage, the foreign wholesale operations of MP Energy Partnership, and the liquids marketing activities of Resources. Heritage's reportable retail and wholesale fuel segments are strategic business units that sell products and services to retail and wholesale customers. Intersegment sales by the foreign wholesale segment to the domestic segment are priced in accordance with the partnership agreement of MP Energy Partnership. 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 selling, general, and administrative expenses of $4,603 and $3,539 for the three months ended May 31, 2003 and 2002, respectively, or $12,451 and $9,648 for the nine months ended May 31, 2003 and 2002, 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,	
	2003	2002	2003	2002
Gallons:				
Domestic retail fuel	77,997	74,947	321,340	284,195
Domestic wholesale fuel	2,337	3,526	12,694	14,001
Foreign wholesale fuel				
Affiliated	45,449	18,414	83,280	57,229
Unaffiliated	10,518	14,470	53,071	57,462
Elimination	(45,449)	(18,414)	(83,280)	(57,229)
Total	90,852	92,943	387,105	355,658

	For the Three Months ended May 31, 2003	For the Three Months ended May 31, 2002	For the Nine Months ended May 31, 2003	For the Nine Months ended May 31, 2002
Revenues:				
Domestic retail fuel	$ 103,340	$ 82,312	$ 400,093	$ 317,941
Domestic wholesale fuel	2,029	1,967	8,784	8,303
Foreign wholesale fuel				
Affiliated	14,420	8,612	52,252	29,128
Unaffiliated	7,670	6,898	32,481	27,689
Elimination	(14,420)	(8,612)	(52,252)	(29,128)
Liquids marketing	22,961	40,113	163,278	138,259
Other	12,444	11,348	46,334	42,184
Total	$ 148,444	$ 142,638	$ 650,970	$ 534,376
Operating Income (Loss):				
Domestic retail	$ 9,832	$ 7,259	$ 89,480	$ 58,817
Domestic wholesale fuel	(659)	(1,182)	(2,028)	(2,881)
Foreign wholesale fuel				
Affiliated	208	147	692	419
Unaffiliated	582	524	2,209	1,576
Elimination	(208)	(147)	(692)	(419)
Liquids marketing	89	1,372	604	(422)
Total	$ 9,844	$ 7,973	$ 90,265	$ 57,090
Depreciation and amortization:				
Domestic retail	$ 9,450	$ 9,757	$ 27,900	$ 28,283
Domestic wholesale	123	148	375	277
Foreign wholesale	6	5	16	14
Total	$ 9,579	$ 9,910	$ 28,291	$ 28,574

	As of May 31, 2003	As of August 31, 2002
Total Assets:		
Domestic retail	$ 694,083	$ 667,978
Domestic wholesale	6,677	14,372
Foreign wholesale	7,440	10,564
Liquids marketing	3,255	6,919
Corporate and other	18,951	17,431
Total	$ 730,406	$ 717,264

5. SIGNIFICANT INVESTEE:

Heritage holds a 50% interest in Bi-State Propane. Heritage accounts for this 50% interest in Bi-State Propane under the equity method. Heritage's investment in Bi-State Propane totaled $8,798 and $7,485 at May 31, 2003 and August 31, 2002 respectively. Heritage received distributions of $303 and $125 from Bi-State Propane as of May 31, 2003 and August 31, 2002, respectively. On March 1, 2002, the Operating Partnership sold certain assets acquired in the ProFlame acquisition to Bi-State Propane for approximately $9,730 plus working capital. This sale was made pursuant to the provision in the Bi-State Propane partnership agreement that requires each partner to offer to sell any newly acquired businesses within Bi-State Propane's area of operations to Bi-State Propane. In conjunction with this sale, the Operating Partnership guaranteed $5 million of debt incurred by Bi-State Propane to a financial institution. Based on the current financial condition of Bi-State Propane, management considers the likelihood of Heritage incurring a liability resulting from the guarantee to be remote. Bi-State Propane's financial position is summarized below:

	May 31, 2003	August 31, 2002
Current assets	$ 4,920	$ 3,321
Noncurrent assets	22,703	23,105
Total	$ 27,623	$ 26,426
Current liabilities	$ 2,778	$ 3,344
Long-term debt	8,600	9,450
Partners' capital:		
Heritage	8,798	7,485
Other partner	7,447	6,147
Total	$ 27,623	$ 26,426

Bi-State Propane's results of operations for the three months and nine months ended May 31, 2003 and 2002, respectively are summarized below:

	For the Three Months Ended May 31,		For the Nine Months Ended May 31,	
	2003	2002	2003	2002
Revenues	$ 6,441	$ 4,910	$ 19,542	$ 14,267
Gross profit	2,906	2,606	9,172	7,390
Net income:				
Heritage	478	407	1,617	1,548
Other Partner	475	423	1,603	1,598

6. PARTNER'S CAPITAL:

On May 20, 2003, the Partnership sold 1,610,000 Common Units in an underwritten public offering at a public offering price of $29.26 per unit. This sale included the exercise of the underwriters' over-allotment option to purchase an additional 210,000 Common Units. Heritage used approximately $35.9 million of the $44.8 million net proceeds from the sale of the Common Units to repay a portion of the indebtedness outstanding under various tranches of its Senior Secured Notes. The remainder of the proceeds was used for general partnership purposes, including repayment of additional debt. The Common Units were issued utilizing the Partnership's existing shelf registration statement on Form S-3. To effect the transfer of the contribution required by the General Partner to maintain its 1% general partner interest in the Partnership and its 1.0101% general partner interest in the Operating Partnership, the General Partner contributed 32,692 previously issued Common Units back to the Partnership and those units were cancelled.

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 27, 2002. 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 OPERTIONS

Heritage Propane Partners, L.P. (the "Registrant" or "Partnership"), is a Delaware limited partnership. The Partnership's common units are listed on the New York Stock Exchange. The Partnership's business activities are primarily conducted through its subsidiary, Heritage Operating, L.P. (the "Operating Partnership"), a Delaware limited partnership. The Partnership is the sole limited partner of the Operating Partnership, with a 98.9899% limited partner interest. The Partnership and the Operating Partnership are sometimes referred to collectively in this report as "Heritage."

The following is a discussion of the historical financial condition and results of operations of the Partnership and its subsidiaries, and should be read in conjunction with the Partnership's historical consolidated financial statements and accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

FORWARD-LOOKING STATEMENTS

CERTAIN MATTERS DISCUSSED IN THIS REPORT, EXCLUDING HISTORICAL INFORMATION, AS WELL AS SOME STATEMENTS BY HERITAGE IN PERIODIC PRESS RELEASES AND SOME ORAL STATEMENTS OF HERITAGE OFFICIALS DURING PRESENTATIONS ABOUT THE PARTNERSHIP, INCLUDE CERTAIN "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934. STATEMENTS USING WORDS SUCH AS "ANTICIPATE," "BELIEVE," "INTEND," "PROJECT," "PLAN," "CONTINUE," "ESTIMATE," "FORECAST," "MAY," "WILL," OR SIMILAR EXPRESSIONS HELP IDENTIFY 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.

ACTUAL RESULTS MAY DIFFER MATERIALLY FROM ANY RESULTS PROJECTED, FORECASTED, ESTIMATED, OR EXPRESSED IN FORWARD-LOOKING STATEMENTS SINCE MANY OF THE FACTORS THAT DETERMINE THESE RESULTS ARE DIFFICULT TO PREDICT AND ARE BEYOND MANAGEMENT'S CONTROL. SUCH FACTORS INCLUDE:

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

- WEATHER CONDITIONS THAT VARY SIGNIFICANTLY FROM HISTORICALLY NORMAL CONDITIONS WHICH MAY ADVERSELY AFFECT THE DEMAND FOR PROPANE AND HERITAGE'S FINANCIAL CONDITION;

- HERITAGE'S SUCCESS IN HEDGING ITS PRODUCT SUPPLY POSITIONS;

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

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

- SUDDEN AND SHARP PROPANE PRICE INCREASES AND MARKET VOLATILITY MAY ADVERSELY AFFECT HERITAGE'S OPERATING RESULTS;

- THE POLITICAL AND ECONOMIC STABILITY OF PETROLEUM PRODUCING NATIONS;

- HERITAGE'S ABILITY TO CONDUCT BUSINESS IN FOREIGN COUNTRIES;

- HERITAGE'S ABILITY TO OBTAIN ADEQUATE SUPPLIES OF PROPANE FOR RETAIL SALE IN THE EVENT OF AN INTERRUPTION IN SUPPLY OR TRANSPORTATION;

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

- THE MATURITY OF THE PROPANE INDUSTRY AND COMPETITION FROM OTHER PROPANE DISTRIBUTORS AND OTHER ENERGY SOURCES;

- ENERGY EFFICIENCIES AND TECHNOLOGICAL TRENDS MAY AFFECT DEMAND FOR PROPANE;

- THE AVAILABILITY AND COST OF CAPITAL;

- HERITAGE'S ABILITY TO ACCESS CERTAIN CAPITAL SOURCES MAY REQUIRE IT TO OBTAIN A DEBT RATING;

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

- OPERATING RISKS INCIDENTAL TO TRANSPORTING, STORING, AND DISTRIBUTING PROPANE, INCLUDING LITIGATION RISKS WHICH MAY NOT BE COVERED BY INSURANCE;

- HERITAGE'S ABILITY TO GENERATE AVAILABLE CASH FOR DISTRIBUTIONS TO UNITHOLDERS;

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

- HERITAGE'S ABILITY TO SUSTAIN HISTORICAL LEVELS OF INTERNAL GROWTH;

- HERITAGE'S ABILITY TO CONTINUE TO LOCATE AND ACQUIRE OTHER PROPANE COMPANIES AT PURCHASE PRICES THAT ARE ACCRETIVE TO ITS FINANCIAL RESULTS;

- CASH DISTRIBUTIONS TO UNITHOLDERS ARE NOT GUARANTEED AND MAY FLUCTUATE WITH HERITAGE'S PERFORMANCE AND OTHER EXTERNAL FACTORS, INCLUDING RESTRICTIONS IN HERITAGE'S DEBT AGREEMENTS; AND

- HERITAGE MAY SELL ADDITIONAL LIMITED PARTNER INTERESTS, THUS DILUTING THE EXISTING INTEREST OF UNITHOLDERS.

GENERAL

The retail propane business is a margin-based business in which gross profits depend on the excess of sales price over propane supply cost. 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 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 customer service locations 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 customer service locations 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 to 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, 2002, Heritage completed 91 acquisitions for an aggregate purchase price approximating $633 million. During the nine months ended May 31, 2003, Heritage completed five acquisitions for an aggregate purchase price of $40.5 million, which includes $23.3 million in cash, $15.0 million in Common Units issued, and $2.2 million in notes payable on non-compete agreements and liabilities assumed. Heritage serves more than 650,000 customers from nearly 300 customer service locations in 29 states.

Heritage's propane distribution business is largely seasonal and dependent upon weather conditions in its service areas. Propane sales to residential and commercial customers are affected by winter heating season requirements. Historically, approximately two-thirds of Heritage's retail propane volume and in excess of 80% of Heritage's EBITDA is attributable to sales during the six-month peak-heating season of October through March. 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 lower net income or net losses during the period from April through September of each year. Consequently, sales and operating profits are concentrated in the first and second fiscal quarters, however, cash flow from operations is generally greatest during the second and third fiscal quarters when customers pay for propane purchased during the six-month peak-heating season. 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 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.

Gross profit margins are not only affected by weather patterns, but also vary according to customer mix. For example, sales to residential customers generate higher margins than sales to certain other customer groups, such as commercial or 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% of the results of MP Energy Partnership. MP Energy Partnership is a general partnership in which Heritage owns a 60% interest. Because MP 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, 2003 COMPARED TO THE THREE MONTHS ENDED MAY 31, 2002

Volume. Total retail gallons sold in the three months ended May 31, 2003 were 78.0 million, an increase of 3.0 million over the 75.0 million gallons sold in the three months ended May 31, 2002. The increase in volume reflects the benefits of the volume added through acquisitions offset by the weather for the quarter ended May 31, 2003 being 8.6% warmer than the same period last year. The Partnership also sold approximately 12.8 million wholesale gallons in this third quarter of fiscal 2003, a decrease of 5.2 million gallons from the 18.0 million wholesale gallons sold in the third quarter of fiscal year 2002. U.S. wholesale volumes decreased 1.2 million gallons to 2.3 million gallons, while the foreign volumes of MP Energy Partnership decreased 4.0 million gallons to 10.5 million gallons for the third quarter, primarily due to an exchange contract that was in effect during the three months ended May 31, 2002 which was not economical to renew during the three months ended May 31, 2003.

Revenues. Total revenues for the three months ended May 31, 2003 were $148.4 million, an increase of $5.8 million, as compared to $142.6 million in the three months ended May 31, 2002. The current period's domestic retail propane revenues increased $21.0 million to $103.3 million as compared to the prior year's revenues of $82.3 million primarily due to higher selling prices in the current period, and the increased retail volumes described above. Selling prices in each of Heritage's reportable segments increased as compared to the same period last year as a result of higher supply costs. The U.S. wholesale revenues remained the same at $2.0 million for the three months ended May 31, 2003 as compared the three months ended May 31, 2002, due to higher selling prices offset by decreased volumes described above. Other domestic revenues increased $1.1 million to $12.4 million, as compared to $11.3 million in the prior year as a result of acquisitions. Foreign revenues increased $0.8 million for the three months ended May 31, 2003 to $7.7 million as compared to $6.9 million for the three months ended May 31, 2002, as a result of higher selling prices offset by the decreased volumes described above. Revenues from the liquids marketing activity conducted through Resources decreased $17.1 million to $23.0 million as compared to the prior year's activity of $40.1 million due to a decrease in the number and volume of contracts sold because of unfavorable market liquidity which occurred during the third quarter of fiscal year 2003.

Cost of Products Sold. Total cost of products sold and liquids marketing activities decreased to $89.5 million for the three months ended May 31, 2003 as compared to $90.9 million for the three months ended May 31, 2002. The current period's domestic retail cost of sales increased $13.5 million to $54.6 million as compared to $41.1 million in the prior year due to increased volumes and higher supply costs of product as compared to the same period last fiscal year. The U.S. wholesale cost of sales decreased $0.1 million to $1.8 million for the three months ended May 31, 2003 as compared to $1.9 million for the period ended May 31, 2002, due to decreased volumes described above, offset by higher wholesale fuel costs. Foreign cost of sales increased $0.7 million to $7.1 million as compared to $6.4 million in the prior year due to an increase in wholesale fuel costs offset by decreased volumes. Other cost of sales increased $0.4 million to $3.3 million as compared to $2.9 million for the three months ended May 31, 2002 primarily due to acquisitions. Liquids marketing cost of sales decreased $15.9 million during the three months ended May 31, 2003 to $22.7 million as compared to the prior year's cost of sales of $38.6 million. This decrease is primarily due to the related decrease in revenues described above.

Gross Profit. Total gross profit for the three months ended May 31, 2003 was $58.9 million as compared to $51.7 million for the three months ended May 31, 2002. For the three months ended May 31, 2003, retail fuel gross profit was $48.7 million, U.S. wholesale gross profit was $0.2 million, and other gross profit was $9.1 million. Foreign wholesale gross profit was $0.6 million and liquids marketing gross profit was $0.3 million. As a comparison, for the three months ended May 31, 2002, Heritage recorded retail fuel gross profit of $41.2 million, U.S. wholesale of $0.1 million and other gross profit of $8.4 million. Foreign wholesale gross profit was $0.5 million, and liquids marketing gross profit was $1.5 million for the three months ended May 31, 2002. The increase in gross fuel profit is primarily attributable to increased volumes as described above and higher selling prices, offset by higher product costs.

Operating Expenses. Operating expenses were $39.5 million an increase of $5.7 million, for the three months ended May 31, 2003 as compared to $33.8 million for the three months ended May 31, 2002. The increase is the result of various factors, which include an increase in employee-related costs due to acquisitions, an increase in the performance-based compensation plan expense due to higher operating performance, an increase in general operating costs due to acquisitions, increased delivery costs due to increased fuel prices, and industry-wide increases in business insurance costs.

Selling, General, and Administrative. Selling, general, and administrative expenses were $4.6 million for the three months ended May 31, 2003, a $1.1 million increase from the $3.5 million for the same three month period last year. This increase is primarily related to an increase in stock-based compensation expense due to an increase in the fair market value of the underlying Common Units in the three months ended May 31, 2003 compared to the three months ended May 31, 2002.

Depreciation and Amortization. Depreciation and amortization was $9.6 million in the three months ended May 31, 2003 a slight decrease as compared to $9.9 million in the three months ended May 31, 2002.

Operating Income. For the three months ended May 31, 2003, Heritage had operating income of $5.2 million as compared to operating income of $4.4 million for the three months ended May 31, 2002. This increase is a combination of increased gross profit offset by increased operating expenses described above.

Taxes. Taxes for the three months ended May 31, 2003 were $0.2 million due to the franchise taxes owed. There was no tax expense for the three months ended May 31, 2002.

Net Loss. For the three-month period ended May 31, 2003, Heritage recorded a net loss of $3.1 million, an improvement of $1.2 million as compared to a net loss for the three months ended May 31, 2002 of $4.3 million. The improvement is primarily the result of the increase in operating income described above.

EBITDA. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased $1.4 million to $16.7 million for the three months ended May 31, 2003, as compared to EBITDA of $15.3 million for the period ended May 31, 2002. This increase is due to the operating performance described above and is a record level of EBITDA for the third quarter results of Heritage. 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, cash flow, or any other financial performance measure presented in accordance with generally accepted accounting principles but provides additional information for evaluating the Partnership's operating results or its ability to make quarterly distributions. Management believes that EBITDA is a meaningful non-GAAP financial measure used by investors and lenders to evaluate the Partnership's operating performance, cash generation, and ability to service debt, as certain of the Partnership's debt covenants include EBITDA as a performance measure. The presentation of EBITDA for the periods described herein is calculated in the same manner as presented by the Partnership in the past, and is intended to allow investors to compare performance with prior periods. The Partnership also believes that EBITDA is sometimes useful to compare the operating results of other companies within the propane industry due to the fact that such information is commonly utilized and eliminates the effects of certain financing and accounting decisions. The Partnership's calculation of EBITDA, however, may differ from similarly titled items reported by other companies. EBITDA is computed as follows:

(in millions)	Three Months Ended May 31,	
	2003	2002
Net loss	$ (3.1)	$ (4.3)
Depreciation and amortization	9.6	9.9
Interest	9.0	9.2
Taxes	0.2	-
Non-cash compensation expense	1.2	0.5
Other expense	0.1	0.1
Depreciation, amortization, and interest and taxes of investee	0.2	0.2
Minority interest net of MP Energy Partnership	-	(0.1)
Less : Gain on disposal of assets	(0.5)	(0.2)
EBITDA	$ 16.7	$ 15.3

NINE MONTHS ENDED MAY 31, 2003 COMPARED TO THE NINE MONTHS ENDED MAY 31, 2002

Volume. Total retail gallons sold in the nine months ended May 31, 2003 were 321.3 million, an increase of 37.1 million over the 284.2 million gallons sold in the nine months ended May 31, 2002. The increase in volume reflects the benefits of the volume added through acquisitions and from more favorable weather conditions in some of Heritage's areas of operations, offset by warmer than normal weather conditions in other areas of operations. Heritage also sold approximately 65.8 million wholesale gallons in the nine months ended May 31, 2003, a decrease of 5.7 million gallons from the 71.5 million wholesale gallons sold in the nine months ended May 31, 2002. U.S. wholesale gallons decreased 1.3 million gallons to 12.7 million gallons and the foreign volumes of MP Energy Partnership decreased 4.4 million gallons to 53.1 million for the nine months ended May 31, 2003, primarily due to an exchange contract that was in effect during the nine months ended May 31, 2002 which was not economical to renew during the nine months ended May 31, 2003.

Revenues. Total revenues for the nine months ended May 31, 2003 were $651.0 million, an increase of $116.6 million, as compared to $534.4 million in the nine months ended May 31, 2002. The current period's domestic retail propane revenues increased $82.2 million to $400.1 million as compared to the prior year's revenues of $317.9 million primarily due to increased retail volumes and higher selling prices in the current period. Selling prices in each of Heritage's reportable segments increased as compared to the same period last year as a result of higher supply costs. The U.S. wholesale revenues increased to $8.8 million, as compared to $8.3 million for the nine-month period ended May 31, 2002, due to higher selling prices. Foreign revenues increased $4.8 million for the nine months ended May 31, 2003 to $32.5 million as compared to $27.7 million for the nine months ended May 31, 2002, also as a result of higher selling prices. The liquids marketing activity conducted through Resources increased $25.0 million to $163.3 million as compared to the prior year's revenues of $138.3 million due to an increase in the number and volumes of contracts sold, more favorable market conditions in the winter months related to colder winter temperatures, and record high propane selling prices in the current period. Other domestic revenues increased $4.1 million to $46.3 million as compared to $42.2 million in the prior year as a result of acquisitions.

Cost of Products Sold. Total cost of products sold and liquids marketing activities increased to $414.2 million for the nine months ended May 31, 2003 as compared to $348.1 million for the nine months ended May 31, 2002. The current period's domestic retail cost of sales increased $36.0 million to $201.1 million as compared to $165.1 million in the prior year primarily due to increased volumes and higher supply costs of product as compared to the same period last fiscal year. The U.S. wholesale cost of sales decreased to $7.8 million as compared to $8.0 million in the prior year. Foreign cost of sales increased $4.2 million to $30.3 million as compared to $26.1 million in the prior year primarily due to an increase in foreign wholesale fuel costs. Other cost of sales increased $2.5 million to $13.0 million as compared to $10.5 million for the nine months ended May 31, 2002 primarily due to acquisitions. Liquids marketing cost of sales increased $23.6 million during the nine months ended May 31, 2003 to $162.0 million as compared to the prior year's cost of sales of $138.4 million. This increase is primarily due to an increase in the number and volumes of contracts purchased which were necessary to supply the increased customer demand, and higher costs of entering in to those contracts due to high propane prices in the current period.

Gross Profit. Total gross profit for the nine months ended May 31, 2003 increased by $50.4 million to $236.7 million as compared to $186.3 million for the nine months ended May 31, 2002. For the nine months ended May 31, 2003, retail fuel gross profit was $199.0 million, U.S. wholesale gross profit was $0.9 million, and other gross profit was $33.3 million. Foreign wholesale gross profit was $2.2 million and liquids marketing gross profit was $1.3 million. As a comparison, for the nine months ended May 31, 2002, Heritage recorded retail fuel gross profit of $152.8 million, U.S. wholesale of $0.3 million, and other gross profit of $31.7 million. Foreign wholesale gross profit was $1.6 million and liquids marketing recorded a loss of $0.1 million for the nine months ended May 31, 2002. The increase in gross profit is primarily attributable to increased volumes and higher selling prices, offset by higher fuel costs.

Operating Expenses. Operating expenses were $118.2 million for the nine months ended May 31, 2003 as compared to $100.6 million for the nine months ended May 31, 2002. The increase of $17.6 million is the result of various factors, which include an increase in employee-related costs due to acquisitions, increased delivery costs due to increased fuel prices, an increase in the performance-based compensation plan expense due to higher operating performance, a general increase in operating expenses in certain areas of the Partnership's operations due to acquisitions and to accommodate increased winter demand, and industry-wide increases in business insurance costs.

Selling, General, and Administrative. Selling, general, and administrative expenses were $12.5 million for the nine months ended May 31, 2003, a $2.9 million increase from the $9.6 million for the same nine-month period last year. This increase is primarily related to the performance-based compensation plan expense in 2003 that was not incurred in 2002, and an increase in stock-based compensation expense due to an increase in the fair market value of the underlying Common Units in the nine months ended May 31, 2003 compared to the nine months ended May 31, 2002.

Depreciation and Amortization. Depreciation and amortization decreased slightly to $28.3 million in the nine months ended May 31, 2003 as compared to $28.6 million in the nine months ended May 31, 2002.

Operating Income. For the nine months ended May 31, 2003, Heritage had operating income of $77.8 million as compared to operating income of $47.4 million for the nine months ended May 31, 2002. This increase is a combination of increased gross profit offset by increased operating expenses described above.

Other Expense. For the nine months ended May 31, 2003, Heritage recorded other expense of $2.6 million as compared to $0.3 million for the nine months ended May 31, 2002. This increase is primarily due to the reclassification into earnings of a loss on marketable securities in the nine months ended May 31, 2003 that was previously recorded as accumulated other comprehensive income loss on the balance sheet.

Taxes. Taxes for the nine months ended May 31, 2003 were $1.5 million due to the tax expense anticipated to be incurred by Heritage's corporate subsidiaries and other franchise taxes owed. There was no tax expense in these subsidiaries for the nine months ended May 31, 2002.

Net Income. For the nine-month period ended May 31, 2003, Heritage had net income of $47.4 million, an increase of $26.4 million, as compared to a net income for the nine months ended May 31, 2002 of $21.0 million. The increase is primarily the result of the increase in operating income, partially offset by the increase in other expenses and taxes described above.

EBITDA. Earnings before interest, taxes, depreciation and amortization increased $31.3 million to $110.5 million for the nine months ended May 31, 2003, as compared to EBITDA of $79.2 million for the nine months ended May 31, 2002. This increase is due to the operating conditions described above and is a record level of EBITDA for the nine-month results of Heritage. Heritage's EBITDA includes the EBITDA of investees, but does not include the EBITDA of the minority interest of MP Energy Partnership or any non-cash compensation expense. EBITDA should not be considered as an alternative to net income, cash flow, or any other financial performance measure presented in accordance with generally accepted accounting principles but provides additional information for evaluating the Partnership's operating results or its ability to make quarterly distributions. Management believes that EBITDA is a meaningful non-GAAP financial measure used by investors and lenders to evaluate the

Partnership's operating performance, cash generation, and ability to service debt as certain of the Partnership's debt covenants include EBITDA as a performance measure. The presentation of EBITDA for the periods described herein is calculated in the same manner as presented by the Partnership in the past, and is intended to allow investors to compare performance with prior periods. The Partnership also believes that EBITDA is sometimes useful to compare the operating results of other companies within the propane industry due to the fact that such information is commonly utilized and eliminates the effects of certain financing and accounting decisions. The Partnership's calculation of EBITDA, however, may differ from similarly titled items reported by other companies. EBITDA is computed as follows:

(in millions)	Nine Months Ended May 31, 2003	Nine Months Ended May 31, 2002
Net income	$ 47.4	$ 21.0
Depreciation and amortization	28.3	28.6
Interest	27.6	27.9
Taxes	1.5	-
Non-cash compensation expense	2.6	1.4
Other expense	2.6	0.3
Depreciation, amortization, taxes, and interest of investee	0.7	0.5
Minority interest net of MP Energy Partnership	0.5	0.4
Less : Gain on disposal of assets	(0.7)	(0.9)
EBITDA	$ 110.5	$ 79.2

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 management's 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 expenditures, 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, issuance of additional Common Units or a combination thereof.

Operating Activities. Net cash provided by operating activities during the nine months ended May 31, 2003, was $90.6 million as compared to $65.5 million for the same nine-month period ended May 31, 2002. The net cash provided by operations for the nine months ended May 31, 2003 consisted of net income of $47.4 million, non-cash charges of $33.9 million, principally depreciation and amortization, and the impact of a decrease in working capital of $9.3 million. Various components of working capital changed significantly from the prior nine-month period due to factors such as the variance in the timing of accounts receivable collections and prepayments on inventory, and working capital used to provide for the operations of acquired companies.

Investing Activities. Heritage completed five acquisitions during the nine months ended May 31, 2003 spending a net of $23.3 million, after deducting cash received in such acquisitions. This capital expenditure amount is reflected in the net cash used in investing activities of $41.4 million along with $21.2 million invested for maintenance needed to sustain operations at current levels and for customer tanks to support growth of operations. Net cash used in investing activities also includes proceeds from the sale of idle property of $3.1 million.

Financing Activities. Net cash used in financing activities during the nine months ended May 31, 2003 of $46.7 million resulted mainly from a net decrease in the outstanding balance under the Working Capital Facility of $30.2 million, cash distributions to Unitholders of $31.6 million, and payments on other long-term debt of $39.8 million. These decreases were offset by the issuance of Common Units of $44.8 million, a net increase in the outstanding balance under the Acquisition Facility of $10.1 million used to acquire other propane businesses, and other financing activities of $0.1 million.

FINANCING AND SOURCES OF LIQUIDITY

During the quarter ended May 31, 2003, the Operating Partnership utilized its Bank Credit Facility, which includes a Working Capital Facility, providing for up to $65.0 million of borrowings for working capital and other general partnership purposes, and an Acquisition Facility providing for up to $50.0 million of borrowings for acquisitions and improvements. As of May 31, 2003, the Working Capital Facility had $65.0 million available for borrowings and the Acquisition Facility had $25.9 million available to fund future acquisitions.

Heritage uses its cash provided by operating and financing activities to provide distributions to the Partnership's 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 $23.3 million for the nine months ended May 31, 2003. In addition to the $23.3 million of cash expended for acquisitions, $15.0 million in Partnership units were issued, $1.0 million for notes payable on non-compete agreements were issued, and liabilities of $1.2 million were assumed in connection with certain acquisitions, for an aggregate purchase price of $40.5 million.

Under the Partnership Agreement, the Partnership will distribute to its partners within 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. The Partnership's commitment to its Unitholders is to distribute the increase in its cash flow while maintaining prudent reserves for the Partnership's operations. The Partnership paid quarterly distributions of $0.6375 per unit (or $2.55 annually) on October 15, 2002 for the fourth quarter ended August 31, 2002, on January 14, 2003 for the quarter ended November 30, 2002, and on April 14, 2003 for the quarter ended February 28, 2003. On June 23, 2003, the Partnership declared a distribution for the third quarter ended May 31, 2003 of $0.6375 per unit (or $2.55 annually) payable on July 15, 2003 to the Unitholders of record at the close of business on July 7, 2003. In addition to these quarterly distributions, the General Partner received quarterly distributions for its general partner interest in the Partnership, its minority interest, and incentive distributions to the extent the quarterly distribution exceeded $0.55 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 little cash flow exposure due to rate changes for long-term debt obligations. The Operating Partnership had $24.1 million of variable rate debt outstanding as of May 31, 2003 through its Bank Credit Facility described elsewhere in this report. The balance outstanding in the Bank Credit Facility generally fluctuates throughout the year. A theoretical change of 1% in the interest rate on the balance outstanding at May 31, 2003 would result in an approximate $241 thousand change in annual net income. Heritage primarily enters debt obligations to support general corporate purposes including capital expenditures and working capital needs. The Operating Partnership'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 market conditions over which management 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 that adequate supply sources are available to Heritage during periods of high demand, Heritage will, from time to time, 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 customer 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 in the past used derivative commodity instruments such as price swap and option contracts. 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. 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. Call options give Heritage the right, but not the obligation, to buy a specified number of gallons of propane at a specified price at any time until a specified expiration date. Heritage entered into these financial instruments to hedge pricing on the projected propane volumes to be purchased during each of the one-month periods during the projected heating season.

At May 31, 2003, Heritage had no outstanding propane financial contracts. Heritage continues to monitor propane prices and may enter into propane financial contracts in the future. Inherent in the portfolio from the liquids marketing activities 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 counter-parties 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, L.L.C. ("Resources"). In accordance with the provisions of SFAS 133, financial instruments utilized in connection with Resources' 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 other income (expense). 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, 2003 and 2002 include fixed price payor for 340,000 barrels of propane and 645,000 barrels of propane and butane, respectively, and fixed price receiver of 315,000 barrels of propane and 660,000 barrels of propane and butane, 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 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, 2003 and August 31, 2002, was assets of $0.6 and $2.3 million, respectively, and liabilities of $0.6 and $1.8 million respectively. The unrealized gain related to liquids marketing activities for the period ended May 31, 2003 and 2002, was approximately $35 thousand and $57 thousand, respectively, and is recorded through the income statement as other income.

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% in the underlying commodity value of the liquids marketing contracts would result in an approximate $55 thousand change in the market value of the contracts as there were approximately 1.0 million gallons of net unbalanced positions at May 31, 2003.

ITEM 4. CONTROLS AND PROCEDURES

The Partnership maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Partnership files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Within 90 days prior to the filing date of this report, an evaluation was performed under the supervision and with the participation of the Partnership's management, including the Chief Executive Officer and the Chief Financial Officer of the General Partner of the Partnership, of the effectiveness of the design and operation of the Partnership's disclosure controls and procedures (as such terms are defined in Rule 13a-14(c) and 15d-14(c) of the Exchange Act). Based upon that evaluation, management, including the Chief Executive Officer and the Chief Financial Officer of the General Partner of the Partnership, concluded that the Partnership's disclosure controls and procedures were adequate and effective as of May 31, 2003. There have been no significant changes in the Partnership's internal controls or in other factors subsequent to such evaluation, and there have been no corrective actions with respect to significant deficiencies and material weaknesses in our internal controls.

PART II - OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On May 20, 2003, the Partnership sold 1,610,000 Common Units in an underwritten public offering at a public offering price of $29.26 per unit. This sale included the exercise of the underwriters' over-allotment option to purchase an additional 210,000 Common Units. Heritage used approximately $35.9 million of the $44.8 million net proceeds from the sale of the Common Units to repay a portion of the indebtedness outstanding under various tranches of its Senior Secured Notes. The remainder of the proceeds was used for general partnership purposes, including repayment of additional debt. The Units were issued utilizing the Partnership's existing shelf registration statement on Form S-3. To effect the transfer of the contribution required by the General Partner to maintain its 1% general partner interest in the Partnership and its 1.0101% general partner interest in the Operating Partnership, the General Partner contributed 32,692 previously issued Common Units back to the Partnership and those units were cancelled.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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.
(16)	3.1.2	Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(19)	3.1.3	Amendment No. 3 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(19)	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.
(19)	3.2.2	Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.
(18)	3.3	Amended Certificate of Limited Partnership of Heritage Propane Partners, L.P.
(18)	3.4	Amended Certificate of Limited Partnership of Heritage Operating, L.P.
(7)	10.1	First Amended and Restated Credit Agreement with Banks Dated May 31, 1999
(8)	10.1.1	First Amendment to the First Amended and Restated Credit Agreement dated as of October 15, 1999

	Exhibit Number	Description
(9)	10.1.2	Second Amendment to First Amended and Restated Credit Agreement dated as of May 31, 2000
(10)	10.1.3	Third Amendment dated as of August 10, 2000 to First Amended and Restated Credit Agreement
(13)	10.1.4	Fourth Amendment to First Amended and Restated Credit Agreement dated as of December 28, 2000
(16)	10.1.5	Fifth Amendment to First Amended and Restated Credit Agreement dated as of July 16, 2001
(1)	10.2	Form of Note Purchase Agreement (June 25, 1996)
(3)	10.2.1	Amendment of Note Purchase Agreement (June 25, 1996) dated as of July 25, 1996
(4)	10.2.2	Amendment of Note Purchase Agreement (June 25, 1996) dated as of March 11, 1997
(6)	10.2.3	Amendment of Note Purchase Agreement (June 25, 1996) dated as of October 15, 1998
(8)	10.2.4	Second Amendment Agreement dated September 1, 1999 to June 25, 1996 Note Purchase Agreement
(11)	10.2.5	Third Amendment Agreement dated May 31, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement
(10)	10.2.6	Fourth Amendment Agreement dated August 10, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement
(13)	10.2.7	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement
(1)	10.3	Form of Contribution, Conveyance and Assumption Agreement among Heritage Holdings, Inc., Heritage Propane Partners, L.P. and Heritage Operating, L.P.
(1)	10.6	Restricted Unit Plan
(4)	10.6.1	Amendment of Restricted Unit Plan dated as of October 17, 1996
(12)	10.6.2	Amended and Restated Restricted Unit Plan dated as of August 10, 2000
(18)	10.6.3	Second Amended and Restated Restricted Unit Plan dated as of February 4, 2002
(12)	10.7	Employment Agreement for James E. Bertelsmeyer dated as of August 10, 2000
(18)	10.7.1	Consent to Assignment of Employment Agreement for James E. Bertelsmeyer dated February 3, 2002
(20)	10.7.2	Amendment 1 of Employment Agreement for James E. Bertelsmeyer dated August 10, 2002
(*)	10.7.3	Amendment 2 of Employment Agreement for James E. Bertelsmeyer dated April 1, 2003
(12)	10.8	Employment Agreement for R. C. Mills dated as of August 10, 2000

	Exhibit Number	Description
(18)	10.8.1	Consent to Assignment of Employment Agreement for R.C. Mills dated February 3, 2002
(12)	10.10	Employment Agreement for H. Michael Krimbill dated as of August 10, 2000
(18)	10.10.1	Consent to Assignment of Employment Agreement for H. Michael Krimbill dated February 3, 2002
(12)	10.11	Employment Agreement for Bradley K. Atkinson dated as of August 10, 2000
(18)	10.11.1	Consent to Assignment of Employment Agreement for Bradley K. Atkinson dated February 3, 2002
(7)	10.12	First Amended and Restated Revolving Credit Agreement between Heritage Service Corp. and Banks Dated May 31, 1999
(16)	10.12.1	First Amendment to First Amended and Restated Revolving Credit Agreement, dated October 15, 1999
(16)	10.12.2	Second Amendment to First Amended and Restated Revolving Credit Agreement, dated August 10, 2000
(16)	10.12.3	Third Amendment to First Amended and Restated Revolving Credit Agreement, dated December 28, 2000
(16)	10.12.4	Fourth Amendment to First Amended and Restated Revolving Credit Agreement, dated July 16, 2001
(12)	10.13	Employment Agreement for Mark A. Darr dated as of August 10, 2000
(18)	10.13.1	Consent to Assignment of Employment Agreement for Mark A. Darr dated February 3, 2002
(12)	10.14	Employment Agreement for Thomas H. Rose dated as of August 10, 2000
(18)	10.14.1	Consent to Assignment of Employment Agreement for Thomas H. Rose dated February 3, 2002
(12)	10.15	Employment Agreement for Curtis L. Weishahn dated as of August 10, 2000
(18)	10.15.1	Consent to Assignment of Employment Agreement for Curtis L. Weishahn dated February 3, 2002
(5)	10.16	Note Purchase Agreement dated as of November 19, 1997
(6)	10.16.1	Amendment dated October 15, 1998 to November 19, 1997 Note Purchase Agreement
(8)	10.16.2	Second Amendment Agreement dated September 1, 1999 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(9)	10.16.3	Third Amendment Agreement dated May 31, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(10)	10.16.4	Fourth Amendment Agreement dated August 10, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement

	Exhibit Number	Description
(13)	10.16.5	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement
(10)	10.17	Contribution Agreement dated June 15, 2000 among U.S. Propane, L.P., Heritage Operating, L.P. and Heritage Propane Partners, L.P.
(10)	10.17.1	Amendment dated August 10, 2000 to June 15, 2000 Contribution Agreement
(10)	10.18	Subscription Agreement dated June 15, 2000 between Heritage Propane Partners, L.P. and individual investors
(10)	10.18.1	Amendment dated August 10, 2000 to June 15, 2000 Subscription Agreement
(16)	10.18.2	Amendment Agreement dated January 3, 2001 to the June 15, 2000 Subscription Agreement
(17)	10.18.3	Amendment Agreement dated October 5, 2001 to the June 15, 2000 Subscription Agreement
(10)	10.19	Note Purchase Agreement dated as of August 10, 2000
(13)	10.19.1	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement
(14)	10.19.2	First Supplemental Note Purchase Agreement dated as of May 24, 2001 to the August 10, 2000 Note Purchase Agreement
(15)	10.20	Stock Purchase Agreement dated as of July 5, 2001 among the shareholders of ProFlame, Inc. and Heritage Holdings, Inc.
(15)	10.21	Stock Purchase Agreement dated as of July 5, 2001 among the shareholders of Coast Liquid Gas, Inc. and Heritage Holdings, Inc.
(15)	10.22	Agreement and Plan of Merger dated as of July 5, 2001 among California Western Gas Company, the Majority Stockholders of California Western Gas Company signatories thereto, Heritage Holdings, Inc. and California Western Merger Corp.
(15)	10.23	Agreement and Plan of Merger dated as of July 5, 2001 among Growth Properties, the Majority Shareholders signatories thereto, Heritage Holdings, Inc. and Growth Properties Merger Corp.
(15)	10.24	Asset Purchase Agreement dated as of July 5, 2001 among L.P.G. Associates, the Shareholders of L.P.G. Associates and Heritage Operating, L.P.
(15)	10.25	Asset Purchase Agreement dated as of July 5, 2001 among WMJB, Inc., the Shareholders of WMJB, Inc. and Heritage Operating, L.P.
(15)	10.25.1	Amendment to Asset Purchase Agreement dated as of July 5, 2001 among WMJB, Inc., the Shareholders of WMJB, Inc. and Heritage Operating, L.P.
(18)	10.26	Assignment, Conveyance and Assumption Agreement between U.S. Propane, L.P. and Heritage Holdings, Inc., as the former General Partner of Heritage Propane Partners, L.P. dated as of February 4, 2002

Exhibit Number		Description
(18)	10.27	Assignment, Conveyance and Assumption Agreement between U.S. Propane, L.P. and Heritage Holdings, Inc., as the former General Partner of Heritage Operating, L.P., dated as of February 4, 2002
(21)	10.28	Assignment for Contribution of Assets in Exchange for Partnership Interest dated December 9, 2002 among V-1 Oil Co., the shareholders of V-1 Oil Co., Heritage Propane Partners, L.P. and Heritage Operating, L.P.
(22)	10.29	Employment Agreement for Michael L. Greenwood dated as of July 1, 2002
(20)	21.1	List of Subsidiaries
(*)	99.1	Certification of Chief Executive Officer and Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(1) Incorporated by reference to the same numbered Exhibit to Registrant's Registration Statement of Form S-1, File No. 333-04018, filed with the Commission on June 21, 1996.

(2) Incorporated by reference to Exhibit 10.11 to Registrant's Registration Statement on Form S-1, File No. 333-04018, filed with the Commission on June 21, 1996.

(3) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended November 30, 1996.

(4) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended February 28, 1997.

(5) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended May 31, 1998.

(6) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 1998.

(7) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 1999.

(8) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 1999.

(9) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2000.

(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.

(19) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2002.

(20) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2002.

(21) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated January 6, 2003.

(22) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended November 30, 2002.

(*) Filed herewith.

(b) Reports on Form 8-K

The Partnership filed or furnished five reports on Form 8-K during the three months ended May 31, 2003:

Form 8-K/A dated March 18, 2003 was filed amending the form 8-K filed with the Securities and Exchange Commission on January 6, 2003 to provide the financial statements and pro forma financial information required by Item 7 for the acquisition of the propane distribution assets of V-1 Oil Co. of Idaho Falls, Idaho. Attached as exhibits to the Form 8-K were the consent of Grant Thornton LLP, and the required financial statements and pro forma financial information.

Form 8-K dated April 14, 2003 was furnished to the Securities and Exchange Commission in connection with a press release dated April 14, 2003 announcing Heritage's financial results for the second quarter and six months ended February 28, 2003.

Form 8-K dated May 12, 2003 was filed announcing Heritage's intention to commence an underwritten offering of its Common Units pursuant to an existing effective shelf registration statement.

Form 8-K dated May 13, 2003 was filed in connection with the public offering of up to 1,610,000 Common Units representing limited partner interests in the Partnership, under the Partnership's shelf registration statement on Form S-3. Attached as exhibits to the Form 8-K was a copy of the underwriting agreement with A.G. Edwards & Sons, Inc. and Lehman Brothers Inc., the consent and opinions of Baker Botts L.L.P. as to the legality of the securities registered and as to certain tax matters, and the press release dated May 14, 2003 announcing the offering.

Form 8-K dated May 20, 2003 was filed in connection with a press release dated May 20, 2003 announcing the completion of a public offering of 1,610,000 Common Units, representing limited partner interests in the Partnership.

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

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

Date: July 15, 2003

By: /s/ Michael L. Greenwood

Michael L. Greenwood
(Vice President, Chief Financial Officer and officer duly authorized to sign on behalf of the registrant)

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, H. Michael Krimbill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heritage Propane Partners, L.P.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the Audit Committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 15, 2003

/s/ H. Michael Krimbill

H. Michael Krimbill
President and Chief Executive Officer

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Michael L. Greenwood, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heritage Propane Partners, L.P.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the Audit Committee of registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 15, 2003

/s/ Michael L. Greenwood

Michael L. Greenwood
Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number		Description
(*)	10.7.3	Amendment 2 of Employment Agreement for James E. Bertelsmeyer dated April 1, 2003
(*)	99.1	Certification of Chief Executive Officer and Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 10.7.3

AMENDMENT 2
OF
EMPLOYMENT AGREEMENT

THIS AMENDMENT (this "Amendment") of the Employment Agreement by and between Heritage Holdings, Inc., a Delaware corporation ("HHI"), and James E. Bertelsmeyer ("Bertelsmeyer" or "Employee"), dated June 15, 2000 (the "Employment Agreement"), is made and entered into as of the first day of April, 2003, by and between U. S. Propane, L.P., a Delaware limited partnership ("Company") and Bertelsmeyer.

RECITALS

WHEREAS, the Company replaced HHI as the general partner of Heritage Propane Partners, L.P., a Delaware limited partnership (the "Partnership") and Heritage Operating, L.P., a Delaware limited partnership (the "Operating Partnership") on February 4, 2002, and thereby succeeded to the rights and obligations of HHI under Bertelsmeyer's Employment Agreement; and

WHEREAS, by Amendment No. 1 the Employment Agreement was amended on August 10, 2002; and

WHEREAS, the parties hereto desire that Bertelsmeyer continue his at will employment relationship with the Company, on the terms and conditions set forth in the Employment Agreement except as previously and hereby amended herein.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto consent and agree as follows:

1. Section 3.1 of Bertelsmeyer's Employment Agreement is hereby amended to provide that Bertelsmeyer's compensation, last amended to be $75,000 per year, shall be computed and paid as follows:

   A. From and after April 1, 2003, Bertelsmeyer shall receive no cash salary for his services to the Company, but shall be entitled to receive, when issued in accordance herewith, Partnership Common Units from time to time.

   B. The number of Common Units issuable hereunder shall be determined on each March 1 and September 1 (each a "Calculation Date") of the term hereof.

   C. The number of Common Units issuable will be determined at the rate of the full number of Common Units resulting from dividing $6,250.00 by the numerical average of the ten (10) closing prices of the Common Units on the stock exchange where they are listed for the ten (10) trading days immediately preceding the Calculation Date times the number of full months served under this Agreement since the next preceding Calculation

Date or in the case of the initial Calculation Date April 1, 2003 (each a "Semiannual Grant").

D. Each Semiannual Grant shall vest and be issued (the "Issue Date") five (5) years following the Calculation Date, provided that Bertelsmeyer shall have faithfully performed his obligations under the Employment Agreement up to and including the applicable Issue Date. Bertelsmeyer's continued employment shall not be a condition to the vesting and issuance of the Common Units, but his violation of a provision of the Employment Agreement (for example, non-competition) would be a reason that the Common Units previously calculated for future vesting would not vest.

E. The issuance of the Partnership Common Units shall be subject to the terms of Annex I attached hereto and incorporated herein by reference.

2. Except as set forth herein, the terms and provisions of Bertelsmeyer's Employment Agreement are hereby ratified and confirmed, and shall remain in full force and effect.

3. Bertelsmeyer acknowledges that the consideration for entering into this Amendment is Bertelsmeyer's continued relationship with the Company.

4. This Amendment is not intended to create any extension or renewal of the term of employment set forth in Bertelsmeyer's Employment Agreement, and Bertelsmeyer acknowledges that his relationship with the Company is currently and shall continue to be "at will" employment.

5. This Amendment may be executed by the parties hereto by facsimile signature or in one or more counterparts, each of which shall be deemed to be an original, but all of which constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have hereunto subscribed their names on the day and year first above written.

U. S. PROPANE, L.P.

By U.S. Propane, L.L.C., General Partner

By: ______________________________	______________________________
H. Michael Krimbill, President and Chief Executive Officer	James E. Bertelsmeyer
"Company"	"Bertelsmeyer" or "Employee"

ANNEX I

A. Transferability. No Common Units granted under this award shall be transferable by the Employee other than by will or the laws of descent and distribution.

B. Adjustments. In the event that (i) any change is made to the Common Units deliverable under this award or (ii) Heritage Propane Partners, L.P. (the "Partnership") makes any distribution of cash, Common Units or other property to unitholders which results from the sale or disposition of a major asset or separate operating division of the Partnership or any other extraordinary event and, in the judgment of the Board of Directors, such change or distribution would significantly dilute the value of the Common Units issuable to the Employee hereunder, then the Board of Directors may make appropriate adjustments in the maximum number of Common Units deliverable under this Agreement. The adjustments determined by the Board of Directors shall be final, binding and conclusive.

C. No Fractional Units. The employer will not be required to deliver any fractional Common Units pursuant to this award. The Board of Directors, in its discretion, may provide for the elimination of fractions or for the settlement of fractions in cash.

D. Withholding of Taxes. To the extent that the employer is required to withhold federal, state, local or foreign taxes in connection with any grant or payment made to the Employee or any other person under this award, or is requested by the Employee to withhold additional amounts with respect to such taxes, it will be a condition to the receipt of such payment that the Employee or such other person make arrangements satisfactory to the employer for the payment of balance of the such taxes required or requested to be withheld, which arrangements in the discretion of the Board of Directors may include the relinquishment of a portion of each person's issuable Common Units.

E. Investment Representation. Unless the Common Units issuable under this award have been registered under the Securities Act of 1933, as amended (the "1933 Act") (and in case the Employee has been deemed an affiliate (for securities law purposes) of the general partner of the general partner of the Partnership or the Partnership), and such Common Units have been registered under the 1933 Act for resale by the Employee (or the Partnership has determined that an exemption from registration is available), the employer may require prior to and as a condition of the delivery of any Common Units that the Employee furnish the Partnership with a written representation in a form prescribed by the Board of Directors to the effect that such person is acquiring said Common Units solely with a view to investment for his own account and not with a view to the resale or distribution of all or any part thereof, and that such person will not dispose of any of such Common Units otherwise than in accordance with the provisions of Rule 144 under the 1933 Act unless and until either the Common Units are registered under the 1933 Act or the Partnership is satisfied that an exemption from such registration is available.

F. Compliance with Securities Laws. Notwithstanding anything herein or in any other agreement to the contrary, the Partnership shall not be obligated to sell or issue any Common Units to the employer for delivery under this award unless and until the Partnership is satisfied that such sale or issuance complies with (i) all applicable requirements of the securities exchange on which the Common Units are traded (or the governing body of the principal market in which such Units are traded, if such Common Units are not then listed on an exchange), (ii) all applicable provisions of the 1933 Act, and (iii) all other laws or regulations by which the Partnership is bound or to which the Partnership is subject. The employer acknowledges that, as the general partner of the general partner of the Partnership, it is an affiliate of the Partnership under securities laws and it shall comply with such laws and obligations of the Partnership relating thereto as if they were directly applicable to the employer.

EXHIBIT 99.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Heritage Propane Partners, L.P. (the "Partnership") on Form 10-Q for the nine months ended May 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. Michael Krimbill, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

The foregoing certification is made solely for purposes of 19 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is subject to the "knowledge" and "willfulness" qualifications contained in 18 U.S.C. Section 1350(c).

/s/ H. Michael Krimbill

H. Michael Krimbill
President and Chief Executive Officer
Dated: July 15, 2003

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Heritage Propane Partners, L.P. (the "Partnership") on Form 10-Q for the nine months ended May 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael L. Greenwood, Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

The foregoing certification is made solely for purposes of 19 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is subject to the "knowledge" and "willfulness" qualifications contained in 18 U.S.C. Section 1350(c).

/s/ Michael L. Greenwood

Michael L. Greenwood
Vice President and Chief
Financial Officer
Dated: July 15, 2003