

FERRELLGAS PARTNERS L P

Form 10-Q

December 07, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended October 31, 2006**

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 numbers: 001-11331, 333-06693, 000-50182 and 000-50183

**Ferrellgas Partners, L.P.
Ferrellgas Partners Finance Corp.
Ferrellgas, L.P.
Ferrellgas Finance Corp.**

(Exact name of registrants as specified in their charters)

Delaware	43-1698480
Delaware	43-1742520
Delaware	43-1698481
Delaware	14-1866671

(States or other jurisdictions of
incorporation or organization)

(I.R.S. Employer Identification Nos.)

7500 College Boulevard, Suite 1000, Overland Park,
KS

66210

(Address of principal executive offices)

(Zip Code)

(913) 661-1500

(Registrants' telephone number, including area code)

Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, or non-accelerated filers. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Ferrellgas Partners, L.P. Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Ferrellgas Partners Finance Corp., Ferrellgas, L.P. and
Ferrellgas Finance Corp. Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

Ferrellgas Partners, L.P. and
Ferrellgas, L.P.

Yes ☐ No ☒

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Ferrellgas Partners Finance Corp. and
 Ferrellgas Finance Corp.

Yes ☐ No ☐

At November 30, 2006, the registrants had common units or shares of common stock outstanding as follows:

Ferrellgas Partners, L.P.	62,847,113	Common Units
Ferrellgas Partners Finance Corp.	1,000	Common Stock
Ferrellgas, L.P.	n/a	n/a
Ferrellgas Finance Corp.	1,000	Common Stock

EACH OF FERRELLGAS PARTNERS FINANCE CORP. AND FERRELLGAS FINANCE CORP. MEET THE
 CONDITIONS SET FORTH IN GENERAL INSTRUCTION (H)(1) (A) AND (B) OF FORM 10-Q AND ARE
 THEREFORE, WITH RESPECT TO EACH SUCH REGISTRANT, FILING THIS FORM 10-Q WITH THE
 REDUCED DISCLOSURE FORMAT.

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FERRELLGAS PARTNERS FINANCE CORP.
FERRELLGAS, L.P.
FERRELLGAS FINANCE CORP.
For the quarterly period ended October 31, 2006
FORM 10-Q QUARTERLY REPORT
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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS (unaudited)****FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except unit data)****(unaudited)**

	October 31, 2006	July 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,961	\$ 16,525
Accounts and notes receivable, net	115,490	116,369
Inventories	172,735	154,613
Prepaid expenses and other current assets	21,674	15,334
Total current assets	333,860	302,841
Property, plant and equipment, net	738,447	740,101
Goodwill	248,566	246,050
Intangible assets, net	261,761	248,546
Other assets, net	16,907	11,962
Total assets	\$ 1,599,541	\$ 1,549,500
LIABILITIES AND PARTNERS CAPITAL		
Current liabilities:		
Accounts payable	\$ 79,620	\$ 82,212
Short-term borrowings	120,597	52,647
Other current liabilities	144,677	140,738
Total current liabilities	344,894	275,597
Long-term debt	984,262	983,545
Other liabilities	19,744	19,178
Contingencies and commitments (Note I)		
Minority interest	5,382	5,435
Partners capital:		
Common unitholders (62,847,113 and 60,885,784 units outstanding at October 31, 2006 and July 31, 2006, respectively)	308,737	321,194
General partner (634,819 and 615,008 units outstanding at October 31, 2006 and July 31, 2006, respectively)	(56,957)	(56,829)
Accumulated other comprehensive income (loss)	(6,521)	1,380
Total partners capital	245,259	265,745
Total liabilities and partners capital	\$ 1,599,541	\$ 1,549,500

See notes to condensed consolidated financial statements.

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FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except per unit data)
(unaudited)

	For the three months ended October 31,	
	2006	2005
Revenues:		
Propane and other gas liquids sales	\$ 344,919	\$ 353,418
Other	31,494	32,180
Total revenues	376,413	385,598
Costs and expenses:		
Cost of product sold propane and other gas liquids sales	234,686	245,647
Cost of product sold other	14,620	12,355
Operating expense	90,011	89,724
Depreciation and amortization expense	21,656	21,103
General and administrative expense	11,085	11,168
Equipment lease expense	6,644	7,020
Employee stock ownership plan compensation charge	2,841	2,457
Loss on disposal of assets and other	3,003	1,596
Total costs and expenses	384,546	391,070
Operating loss	(8,133)	(5,472)
Interest expense	(22,380)	(20,875)
Interest income	970	377
Loss before income taxes and minority interest	(29,543)	(25,970)
Income tax expense	210	
Minority interest	(240)	(202)
Net loss	(29,513)	(25,768)
Net loss available to general partner unitholder	(295)	(258)
Net loss available to common unitholders	\$ (29,218)	\$ (25,510)
Basic and diluted net loss available to common unitholders	\$ (0.47)	\$ (0.42)

See notes to condensed consolidated financial statements.

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FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(in thousands)
(unaudited)

	Number of units		Accumulated other comprehensive income (loss)					Total
	Common	General	Common	General	Risk	Currency	Pension	partners'
	unitholders	partner	unitholders	partner	management	translation	liability	capital
July 31, 2006	60,885.8	615.0	\$ 321,194	\$ (56,829)	\$ 2,126	\$ 21	\$ (767)	\$ 265,745
Contribution in connection with ESOP and stock-based compensation charges			3,109	29				3,138
Common unit distributions			(31,424)	(317)				(31,741)
Common units issued	1,891.9	19.1	43,765	442				44,207
Common unit options exercised	47.1	0.5	846	9				855
Common units issued in connection with acquisitions	22.3	0.2	465	4				469
Comprehensive income (loss):								
Net loss			(29,218)	(295)				(29,513)
Other comprehensive income (loss):								
Net loss on risk management derivatives					(6,585)			
Reclassification of derivatives to earnings					(1,373)			
Foreign currency translation adjustments						(23)		
Tax effect on foreign currency translation adjustments						15		
Pension liability adjustment							65	(7,901)
Comprehensive loss								(37,414)

October 31, 2006	62,847.1	634.8	\$ 308,737	\$ (56,957)	\$ (5,832)	\$ 13	\$ (702)	\$ 245,259
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See notes to condensed consolidated financial statements.

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FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For the three months ended October 31,	
	2006	2005
Cash flows from operating activities:		
Net loss	\$ (29,513)	\$ (25,768)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization expense	21,656	21,103
Employee stock ownership plan compensation charge	2,841	2,457
Stock-based compensation charge	333	547
Loss on disposal of assets	1,654	413
Loss on transfer of accounts receivable related to the accounts receivable securitization	2,014	1,828
Minority interest	(240)	(202)
Other	220	1,129
Changes in operating assets and liabilities, net of effects from business acquisitions:		
Accounts and notes receivable, net of securitization	(7,104)	(32,158)
Inventories	(17,865)	(64,876)
Prepaid expenses and other current assets	(5,891)	(4,473)
Accounts payable	(4,127)	48,937
Other current liabilities	2,069	6,590
Other liabilities	623	270
Accounts receivable securitization:		
Proceeds from new accounts receivable securitizations	12,000	24,500
Proceeds from collections reinvested in revolving period accounts receivable securitizations	243,310	241,245
Remittances of amounts collected as servicer of accounts receivable securitizations	(247,310)	(249,245)
Net cash used in operating activities	(25,330)	(27,703)
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(29,160)	(10,649)
Capital expenditures	(9,158)	(5,668)
Proceeds from sale of assets	3,624	4,763
Other	(990)	(1,422)
Net cash used in investing activities	(35,684)	(12,976)
Cash flows from financing activities:		
Distributions	(31,741)	(30,390)
Issuance of common units, net of issuance costs of \$226	44,319	
Proceeds from increase in long-term debt	45,850	12,518
Reductions in long-term debt	(58,821)	(954)
Net additions to short-term borrowings	67,950	63,182

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Cash paid for financing costs	(80)	(58)
Minority interest activity	(324)	(310)
Proceeds from exercise of common unit options	855	721
Cash contribution from general partner	465	
Net cash provided by financing activities	68,473	44,709
Effect of exchange rate changes on cash	(23)	6
Increase in cash and cash equivalents	7,436	4,036
Cash and cash equivalents beginning of year	16,525	20,505
Cash and cash equivalents end of period	\$ 23,961	\$ 24,541

See notes to condensed consolidated financial statements.

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FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2006
(Dollars in thousands, except per unit data, unless otherwise designated)
(unaudited)

A. Partnership organization and formation

Ferrellgas Partners, L.P. (Ferrellgas Partners) is a publicly traded limited partnership, owning an approximate 99% limited partner interest in Ferrellgas, L.P. (the operating partnership). Ferrellgas Partners and the operating partnership are collectively referred to as Ferrellgas. Ferrellgas, Inc. (the general partner), a wholly-owned subsidiary of Ferrell Companies, Inc. (Ferrell Companies), has retained a 1% general partner interest in Ferrellgas Partners and also holds an approximate 1% general partner interest in the operating partnership, representing an effective 2% general partner interest in Ferrellgas on a combined basis. As general partner, it performs all management functions required by Ferrellgas. Ferrell Companies beneficially owns 20.3 million of Ferrellgas Partners outstanding common units. Ferrellgas Partners is a holding entity that conducts no operations and has two subsidiaries, Ferrellgas Partners Finance Corp. and the operating partnership. Ferrellgas Partners owns a 100% equity interest in Ferrellgas Partners Finance Corp., whose only purpose is to act as the co-issuer and co-obligor of any debt issued by Ferrellgas Partners. The operating partnership is the only operating subsidiary of Ferrellgas Partners.

The condensed consolidated financial statements of Ferrellgas reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the interim periods presented. All adjustments to the condensed consolidated financial statements were of a normal, recurring nature. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with (i) the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations, and (ii) the consolidated financial statements and accompanying notes, each as set forth in Ferrellgas Annual Report on Form 10-K for fiscal 2006.

B. Summary of significant accounting policies

(1) Nature of operations:

The operating partnership is engaged primarily in the distribution of propane and related equipment and supplies in the United States. The propane distribution market is seasonal because propane is used primarily for heating in residential and commercial buildings. Therefore, the results of operations for the three months ended October 31, 2006 and 2005 are not necessarily indicative of the results to be expected for a full fiscal year. The operating partnership serves more than one million residential, industrial/commercial, portable tank exchange, agricultural and other customers in all 50 states, the District of Columbia and Puerto Rico.

(2) Accounting estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Significant estimates impacting the condensed consolidated financial statements include accruals that have been established for contingent liabilities, pending claims and legal actions arising in the normal course of business, useful lives of property, plant and equipment assets, residual values of tanks, amortization methods of intangible assets, and valuation methods used to value sales returns and allowances, allowance for doubtful accounts, derivative commodity contracts and stock and unit-based compensation calculations.

Table of Contents*(3) Supplemental cash flow information:*

	For the three months ended October 31,	
	2006	2005
CASH PAID FOR:		
Interest	\$20,207	\$18,303
Income taxes	\$ 1,765	\$ 32
NON-CASH INVESTING ACTIVITIES:		
Issuance of common units in connection with acquisitions	\$ 500	\$
Assumption of liabilities in connection with acquisitions	\$ 2,067	\$ 1,042
Property, plant and equipment additions	\$ 1,535	\$ 1,311

(4) New accounting standards:

Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement is effective for fiscal years beginning after November 15, 2007. Ferrellgas is currently evaluating the potential impact of this statement.

SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as either an asset or liability in the statement of financial position and to recognize changes in that funded status through other comprehensive income. This statement also requires companies to measure plan assets and benefit obligations as of the date of the company s fiscal year-end. The recognition provisions of this statement are effective as of the end of fiscal years ending after December 15, 2006, while the measurement date provisions are effective as of the end of fiscal years ending after December 15, 2008. Ferrellgas is currently evaluating SFAS No. 158 and does not believe the adoption of either provision of this statement will have a significant impact on its financial position, results of operations and cash flows.

Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108), provides guidance on the quantification of prior year misstatements. SAB 108 requires that registrants use both the income statement (roll-over) approach and the balance sheet (iron curtain) approach when evaluating the materiality of a misstatement and contains guidance for correcting the errors under this dual approach. SAB 108 is effective for fiscal years ending after November 15, 2006, with earlier application encouraged. Ferrellgas is currently evaluating the potential impact of this statement.

(5) Reclassifications:

Ferrellgas reclassified \$45.8 million of customer deposits and advances from accounts payable to other current liabilities in its July 31, 2006 condensed consolidated balance sheet to conform this amount to the current period presentation. Certain other reclassifications have been made to the prior year condensed consolidated financial statements to conform them to the current year presentation.

Table of Contents**C. Unit and stock-based compensation**

Ferrellgas recognizes the non-cash compensation charges resulting from all share-based payment transactions in the condensed consolidated statements of earnings as follows:

	For the three months ended October 31,	
	2006	2005
Operating expense	\$ 73	\$ 126
General and administrative expense	260	421
	\$ 333	\$ 547

Non-cash compensation charges increased basic and diluted loss per share by \$0.01 and \$0.01 for the three months ended October 31, 2006 and 2005, respectively.

Ferrellgas Partners Unit Option Plan (UOP)

There have been no awards granted pursuant to the UOP since fiscal 2001. During the three months ended October 31, 2006, no compensation charge relating to the UOP was recognized as all options currently outstanding are fully vested. During the three months ended October 31, 2005, the portion of the total non-cash compensation charge relating to the UOP was \$0.1 million. A summary of option activity under the UOP as of October 31, 2006 is presented below:

	Number of Units	Weighted average exercise price	Weighted- average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding, August 1, 2006	148,200	\$ 18.43		
Exercised	(47,100)	17.96		
Forfeited	(4,400)	20.71		
Outstanding, October 31, 2006	96,700	18.56	3.13	\$ 383
Options exercisable, October 31, 2006	96,700	18.56	3.13	\$ 383

Ferrell Companies, Inc. Incentive Compensation Plan (ICP)

The ICP is not a Ferrellgas stock-compensation plan. However, in accordance with Ferrellgas partnership agreements, all employee-related costs incurred by Ferrell Companies are allocated to Ferrellgas. As a result, Ferrellgas incurs a non-cash compensation charge from Ferrell Companies as they account for their plan in accordance with SFAS 123(R). During the three months ended October 31, 2006 and 2005, the portion of the total non-cash compensation charge relating to the ICP was \$0.3 million and \$0.4 million, respectively.

Table of Contents**D. Business combinations**

Business combinations are accounted for under the purchase method and the assets acquired and liabilities assumed are recorded at their estimated fair market values as of the acquisition dates. The results of operations are included in the consolidated statements of earnings from the date of acquisition. The pro forma effect of these transactions was not material to Ferrellgas' results of operations.

During the three months ended October 31, 2006, Ferrellgas acquired propane distribution assets with an aggregate value of \$31.7 million in seven transactions.

These acquisitions were funded by \$29.2 million in cash payments, the issuances of \$2.0 million of liabilities and \$0.5 million of common units as well as other costs and consideration.

The aggregate fair values of these seven transactions were allocated as follows:

Customer tanks, buildings and land	\$ 9,491
Non-compete agreements	1,669
Customer lists	17,207
Goodwill	2,739
Working capital	638
	\$ 31,744

The estimated fair values and useful lives of assets acquired are based on a preliminary internal valuation and are subject to final valuation adjustments. Ferrellgas intends to continue its analysis of the net assets of these transactions to determine the final allocation of the total purchase price to the various assets and liabilities acquired.

E. Accounts receivable securitization

The operating partnership transfers certain of its trade accounts receivable to Ferrellgas Receivables, LLC (Ferrellgas Receivables), a wholly-owned unconsolidated, special purpose entity, and retains an interest in a portion of these transferred receivables. As these transferred receivables are subsequently collected and the funding from the accounts receivable securitization facility is reduced, the operating partnership's retained interest in these receivables is reduced. The accounts receivable securitization facility consisted of the following:

	October 31, 2006	July 31, 2006
Retained interest	\$18,144	\$16,373
Accounts receivable transferred	\$97,500	\$87,500

The retained interest was classified as accounts and notes receivable on the condensed consolidated balance sheets.

The operating partnership had the ability to transfer, at its option, an additional \$2.5 million of its trade accounts receivable at October 31, 2006.

Other accounts receivable securitization disclosures consist of the following items:

	For the three months ended October 31,	
	2006	2005
Net non-cash activity	\$617	\$480
Bad debt expense	\$140	\$ 81

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The net non-cash activity reported in the condensed consolidated statements of earnings approximate the financing cost of issuing commercial paper backed by these accounts receivable plus an allowance for doubtful accounts associated with the outstanding receivables transferred to Ferrellgas Receivables. The weighted average discount rate used to value the retained interest in the transferred receivables was 5.4% and 6.0% as of October 31, 2006 and July 31, 2006, respectively.

F. Supplemental financial statement information

Inventories consist of:

	October 31, 2006	July 31, 2006
Propane gas and related products	\$ 148,634	\$ 130,644
Appliances, parts and supplies	24,101	23,969
	\$ 172,735	\$ 154,613

In addition to inventories on hand, Ferrellgas enters into contracts primarily to buy propane for supply procurement purposes. Most of these contracts have terms of less than one year and call for payment based on market prices at the date of delivery. All fixed price contracts have terms of fewer than 24 months. As of October 31, 2006, Ferrellgas had committed, for supply procurement purposes, to take net delivery of approximately 42.0 million gallons of propane at fixed prices.

Loss on disposal of assets and other consist of:

	For the three months ended October 31, 2006	2005
Loss on disposal of assets	\$ 1,654	\$ 413
Loss on transfer of accounts receivable related to the accounts receivable securitization	2,014	1,828
Service income related to the accounts receivable securitization	(665)	(645)
	\$ 3,003	\$ 1,596

Shipping and handling expenses are classified in the following condensed consolidated statements of earnings line items:

	For the three months ended October 31, 2006	2005
Operating expense	\$ 31,242	\$ 33,673
Depreciation and amortization expense	1,389	1,492
Equipment lease expense	5,910	6,292
	\$ 38,541	\$ 41,457

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Other current liabilities consist of:

	October 31, 2006	July 31, 2006
Accrued interest	\$ 26,402	\$ 24,800
Accrued payroll	16,179	18,724
Current portion of long-term debt	3,237	14,758
Customer deposits and advances	54,154	45,837
Other	44,705	36,619
	\$ 144,677	\$ 140,738

G. Long-term debt

Long-term debt consists of:

	October 31, 2006	July 31, 2006
Senior notes		
Fixed rate, Series C-E, ranging from 7.12% to 7.42% due 2008 2013	\$ 204,000	\$ 241,000
Fixed rate, 8.75%, due 2012, net of unamortized premium	270,134	270,229
Fixed rate, Series B-C, ranging from 8.78% to 8.87%, due 2007 2009	163,000	184,000
Fixed rate, 6.75% due 2014, net of unamortized discount	249,323	249,300
Credit agreement , variable interest rates, expiring 2010	91,303	45,453
Notes payable , due 2006 to 2016, net of unamortized discount	9,663	8,238
Capital lease obligations	76	83
	987,499	998,303
Less: current portion, included in other current liabilities on the condensed consolidated balance sheets	3,237	14,758
	\$ 984,262	\$ 983,545

On August 1, 2006, Ferrellgas made scheduled principal payments of \$37.0 million of the 7.08% Series B senior notes and \$21.0 million of the 8.68% Series A senior notes using proceeds from borrowings on the unsecured bank credit facility. On August 29, 2006, Ferrellgas used \$46.1 million of proceeds from the issuance of common units, including unit option exercises, and general partner contributions to retire a portion of the \$58.0 million borrowed under the unsecured bank credit facility.

On August 18, 2006, the operating partnership executed a Commitment Increase Agreement to its Fifth Amended and Restated Credit Agreement dated April 22, 2005, increasing the borrowing capacity available under the unsecured bank credit facility from \$365.0 million to \$375.0 million. As of October 31, 2006, Ferrellgas had total borrowings outstanding under the unsecured bank credit facility of \$211.9 million. Ferrellgas classified \$120.6 million of this amount as short term borrowings since it was used to fund working capital needs that management intends to pay down within the next 12 months. These borrowings have a weighted average interest rate of 7.51%. As of July 31, 2006, Ferrellgas had total borrowings outstanding under the unsecured bank credit facility of \$98.1 million. Ferrellgas classified \$52.6 million of this amount as short term borrowings since it was used to fund working capital needs that

management intends to pay down within the next 12 months. These borrowings have a weighted average interest rate of 7.67%.

Table of Contents**H. Partners' capital**

On August 29, 2006, Ferrellgas received proceeds of \$44.1 million, net of issuance costs, from the issuance of 1.9 million common units to Ferrell Companies pursuant to Ferrellgas' Direct Investment Plan. Ferrellgas used the net proceeds to reduce borrowings outstanding under the unsecured bank credit facility.

I. Contingencies

Ferrellgas' operations are subject to all operating hazards and risks normally incidental to handling, storing, transporting and otherwise providing for use by consumers of combustible liquids such as propane. As a result, at any given time, Ferrellgas is threatened with or named as a defendant in various lawsuits arising in the ordinary course of business. Currently, Ferrellgas is not a party to any legal proceedings other than various claims and lawsuits arising in the ordinary course of business. It is not possible to determine the ultimate disposition of these matters; however, management is of the opinion that there are no known claims or contingent claims that are reasonably expected to have a material adverse effect on the condensed consolidated financial condition, results of operations and cash flows of Ferrellgas.

J. Loss per common unit

Below is a calculation of the basic and diluted loss per common unit in the condensed consolidated statements of earnings for the periods indicated. Common units that could potentially dilute basic earnings per common unit in the future, that were not included in this period in the calculation of diluted earnings per common unit, were 20,243 and 46,554 common units for the three months ended October 31, 2006 and 2005, respectively.

In accordance with EITF 03-6, Participating Securities and the Two-Class Method under FASB Statement No. 128, *Earnings per Share* (EITF 03-6), Ferrellgas calculates net earnings per limited partner unit for each period presented according to distributions declared and participation rights in undistributed earnings, as if all of the earnings for the period had been distributed. In periods with undistributed earnings above certain levels, the calculation according to the two-class method results in an increased allocation of undistributed earnings to the general partner and a dilution of the earnings to the limited partners. Due to the seasonality of the propane business, the dilution effect of EITF 03-6 on net earnings per limited partner unit will typically impact the three months ending January 31. There was not a dilutive effect of EITF 03-6 on basic net loss per limited partner unit for the three months ended October 31, 2006 and 2005.

In periods with year-to-date net losses the allocation of the net losses to the limited partners and the general partner will be determined based on the same allocation basis specified in the Ferrellgas Partners' partnership agreement that would apply to periods in which there were no undistributed earnings. Ferrellgas typically incurs net losses in the three month period ended October 31.

	For the three months ended October 31,	
	2006	2005
Net loss available to common unitholders	\$ (29,218)	\$ (25,510)
Weighted average common units outstanding (in thousands)	62,238.5	60,162.1
Basic and diluted loss per common unit available to common unitholders	\$ (0.47)	\$ (0.42)

Table of Contents**K. Distributions**

On September 14, 2006, Ferrellgas Partners paid a cash distribution of \$0.50 per common unit for the three months ended July 31, 2006. On November 28, 2006, Ferrellgas Partners declared a cash distribution of \$0.50 per common unit for the three months ended October 31, 2006, which is expected to be paid on December 15, 2006.

L. Transactions with related parties*Reimbursable costs*

Ferrellgas has no employees and is managed and controlled by its general partner. Pursuant to Ferrellgas partnership agreements, the general partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of Ferrellgas, and all other necessary or appropriate expenses allocable to Ferrellgas or otherwise reasonably incurred by its general partner in connection with operating Ferrellgas business. These costs primarily include compensation and benefits paid to employees of the general partner who perform services on Ferrellgas behalf and are reported in the condensed consolidated statements of earnings as follows:

	For the three months ended October 31,	
	2006	2005
Operating expense	\$50,186	\$50,312
General and administrative expense	4,851	5,004

Partnership distributions

Ferrellgas Partners has paid the following distributions to related parties:

	For the three months ended October 31,	
	2006	2005
Ferrell Companies	\$10,040	\$9,094
FCI Trading Corp. (1)	98	98
Ferrell Propane, Inc. (2)	26	26
James E. Ferrell (3)	2,146	2,086
General partner	317	304

(1) FCI Trading Corp. (FCI Trading) is an affiliate of the general partner.

(2) Ferrell Propane, Inc. (Ferrell Propane) is controlled by the general partner.

(3) James E. Ferrell (Mr. Ferrell) is the Chairman and Chief Executive Officer of the

general partner.

On November 28, 2006, Ferrellgas Partners declared distributions to Ferrell Companies, FCI Trading, Ferrell Propane, Mr. Ferrell and the general partner of \$10.0 million, \$0.1 million, \$26 thousand, \$2.1 million and \$0.3 million, respectively.

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Operations

Ferrell International Limited (Ferrell International) is beneficially owned by Mr. Ferrell and thus is an affiliate. During the prior year period, Ferrellgas provided limited accounting services for Ferrell International and recognized \$10 thousand of receipts from providing accounting services for Ferrell International. There were no amounts due from or due to Ferrell International at October 31, 2006.

During September 2006, Ferrellgas authorized the payment of \$0.3 million to the benefit of Mr. Andrew J. Filipowski pursuant to the indemnification provisions of Blue Rhino Corporation's former bylaws and the Agreement and Plan of Merger with Blue Rhino Corporation. Mr. Filipowski is the brother-in-law of Mr. Billy D. Prim, who is a member of the general partner's Board of Directors and Special Advisor to the Chief Executive Officer of the general partner.

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FERRELLGAS PARTNERS FINANCE CORP.
(A wholly-owned subsidiary of Ferrellgas Partners, L.P.)
CONDENSED BALANCE SHEETS
(in dollars)
(unaudited)

	October 31, 2006	July 31, 2006
ASSETS		
Cash	\$ 1,000	\$ 1,000
Total assets	\$ 1,000	\$ 1,000
STOCKHOLDER S EQUITY		
Common stock, \$1.00 par value; 2,000 shares authorized; 1,000 shares issued and outstanding	\$ 1,000	\$ 1,000
Additional paid in capital	3,758	3,713
Accumulated deficit	(3,758)	(3,713)
Total stockholder s equity	\$ 1,000	\$ 1,000

CONDENSED STATEMENTS OF EARNINGS
(in dollars)
(unaudited)

	For the three months ended October 31, 2006	2005
General and administrative expense	\$ 45	\$
Net loss	\$ (45)	\$

See note to condensed financial statements.

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FERRELLGAS PARTNERS FINANCE CORP.
(A wholly-owned subsidiary of Ferrellgas Partners, L.P.)
CONDENSED STATEMENTS OF CASH FLOWS
(in dollars)
(unaudited)

	For the three months ended October 31,	
	2006	2005
Cash flows from operating activities:		
Net loss	\$ (45)	\$
Cash used in operating activities		
Cash flows from financing activities:		
Capital contribution	45	
Cash provided by financing activities		
Change in cash		
Cash beginning of period	1,000	1,000
Cash end of period	\$ 1,000	\$ 1,000

See note to condensed financial statements.

NOTE TO CONDENSED FINANCIAL STATEMENTS
OCTOBER 31, 2006
(unaudited)

A. Organization

Ferrellgas Partners Finance Corp. (the Finance Corp.), a Delaware corporation, was formed on March 28, 1996, and is a wholly-owned subsidiary of Ferrellgas Partners, L.P (the Partnership).

The condensed financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the interim periods presented. All adjustments to the condensed financial statements were of a normal, recurring nature.

The Finance Corp. has nominal assets, does not conduct any operations, has no employees and serves as co-obligor for debt securities of the Partnership.

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FERRELLGAS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	October 31, 2006	July 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 22,855	\$ 14,875
Accounts and notes receivable, net	115,490	116,369
Inventories	172,735	154,613
Prepaid expenses and other current assets	21,004	14,664
Total current assets	332,084	300,521
Property, plant and equipment, net	738,447	740,101
Goodwill	248,566	246,050
Intangible assets, net	261,761	248,546
Other assets, net	13,938	8,833
Total assets	\$ 1,594,796	\$ 1,544,051
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	\$ 79,620	\$ 82,212
Short-term borrowings	120,597	52,647
Other current liabilities	134,727	136,788
Total current liabilities	334,944	271,647
Long-term debt	714,128	713,316
Other liabilities	19,744	19,178
Contingencies and commitments (Note I)		
Partners' capital		
Limited partner	527,119	533,095
General partner	5,382	5,435
Accumulated other comprehensive income (loss)	(6,521)	1,380
Total partners' capital	525,980	539,910
Total liabilities and partners' capital	\$ 1,594,796	\$ 1,544,051

See notes to condensed consolidated financial statements.

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FERRELLGAS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands)
(unaudited)

	For the three months ended October 31,	
	2006	2005
Revenues:		
Propane and other gas liquids sales	\$ 344,919	\$ 353,418
Other	31,494	32,180
Total revenue	376,413	385,598
Costs and expenses:		
Cost of product sold propane and other gas liquids sales	234,686	245,647
Cost of product sold other	14,620	12,355
Operating expense	89,948	89,659
Depreciation and amortization expense	21,656	21,103
General and administrative expense	11,085	11,168
Equipment lease expense	6,644	7,020
Employee stock ownership plan compensation charge	2,841	2,457
Loss on disposal of assets and other	3,003	1,596
Total costs and expenses	384,483	391,005
Operating loss	(8,070)	(5,407)
Interest expense	(16,406)	(14,952)
Interest income	970	377
Loss before income taxes	(23,506)	(19,982)
Income tax expense	210	
Net loss	\$ (23,716)	\$ (19,982)

See notes to condensed consolidated financial statements.

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FERRELLGAS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF PARTNERS CAPITAL
(in thousands)
(unaudited)

	Accumulated other comprehensive income (loss)					Total partners capital
	Limited partner	General partner	Risk management	Currency translation adjustments	Pension liability	
July 31, 2006	\$ 533,095	\$ 5,435	\$ 2,126	\$ 21	\$ (767)	\$ 539,910
Contributions in connection with ESOP and stock-based compensation charges	3,141	33				3,174
Quarterly distribution	(31,741)	(324)				(32,065)
Cash contributed by Ferrellgas Partners and the general partner	45,600	465				46,065
Net assets contributed by Ferrellgas Partners and cash contributed by the general partner in connection with acquisitions	500	13				513
Comprehensive income (loss):						
Net loss	(23,476)	(240)				(23,716)
Other comprehensive income (loss):						
Net loss on risk management derivatives			(6,585)			
Reclassification of derivatives to earnings			(1,373)			
Foreign currency translation adjustment				(23)		
Tax effect on foreign currency translation adjustment				15		
Pension liability adjustment					65	(7,901)
Comprehensive loss						(31,617)

October 31, 2006	\$ 527,119	\$ 5,382	\$ (5,832)	\$ 13	\$ (702)	\$ 525,980
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See notes to condensed consolidated financial statements.

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FERRELLGAS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For the three months ended October 31,	
	2006	2005
Cash flows from operating activities:		
Net loss	\$ (23,716)	\$ (19,982)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization expense	21,656	21,103
Employee stock ownership plan compensation charge	2,841	2,457
Stock-based compensation charge	333	547
Loss on disposal of assets	1,654	413
Loss on transfer of accounts receivable related to the accounts receivable securitization	2,014	1,828
Other	43	1,070
Changes in operating assets and liabilities, net of effects from business acquisitions:		
Accounts and notes receivable, net of securitization	(7,104)	(32,158)
Inventories	(17,865)	(64,876)
Prepaid expenses and other current assets	(5,891)	(4,473)
Accounts payable	(4,127)	48,937
Other current liabilities	(3,732)	633
Other liabilities	623	270
Accounts receivable securitization:		
Proceeds from new accounts receivable securitizations	12,000	24,500
Proceeds from collections reinvested in revolving period accounts receivable securitizations	243,310	241,245
Remittances of amounts collected as servicer of accounts receivable securitizations	(247,310)	(249,245)
Net cash used in operating activities	(25,271)	(27,731)
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(29,165)	(10,649)
Capital expenditures	(9,158)	(5,668)
Proceeds from asset sales	3,624	4,763
Other	(991)	(1,393)
Net cash used in investing activities	(35,690)	(12,947)
Cash flows from financing activities:		
Distributions	(32,065)	(30,691)
Contributions from partners	46,065	
Proceeds from increase in long-term debt	45,850	12,518
Reductions in long-term debt	(58,821)	(954)
Net additions to short-term borrowings	67,950	63,182

Cash paid for financing costs	(15)	
Net cash provided by financing activities	68,964	44,055
Effect of exchange rate changes on cash	(23)	6
Increase in cash and cash equivalents	7,980	3,383
Cash and cash equivalents beginning of period	14,875	20,191
Cash and cash equivalents end of period	\$ 22,855	\$ 23,574

See notes to condensed consolidated financial statements.

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FERRELLGAS, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2006
(Dollars in thousands, unless otherwise designated)
(unaudited)

A. Partnership organization and formation

Ferrellgas, L.P. is a limited partnership that owns and operates propane distribution and related assets. Ferrellgas Partners, L.P. (Ferrellgas Partners), a publicly traded limited partnership, owns an approximate 99% limited partner interest in, and consolidates, Ferrellgas, L.P. Ferrellgas, Inc. (the general partner), a wholly-owned subsidiary of Ferrell Companies, Inc. (Ferrell Companies), holds an approximate 1% general partner interest in Ferrellgas, L.P. and performs all management functions required by Ferrellgas, L.P.

The condensed consolidated financial statements of Ferrellgas, L.P. and subsidiaries reflect all adjustments, that are, in the opinion of management, necessary for a fair statement of the interim periods presented. All adjustments to the condensed consolidated financial statements were of a normal, recurring nature. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with (i) the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations and (ii) the consolidated financial statements and accompanying notes, each as set forth in Ferrellgas, L.P.'s Annual Report on Form 10-K for fiscal 2006.

B. Summary of significant accounting policies

(1) Nature of operations:

Ferrellgas, L.P. is engaged primarily in the distribution of propane and related equipment and supplies in the United States. The propane distribution market is seasonal because propane is used primarily for heating in residential and commercial buildings. Therefore, the results of operations for the three months ended October 31, 2006 and 2005 are not necessarily indicative of the results to be expected for a full fiscal year. Ferrellgas, L.P. serves more than one million residential, industrial/commercial, portable tank exchange, agricultural and other customers in all 50 states, the District of Columbia and Puerto Rico.

(2) Accounting estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Significant estimates impacting the condensed consolidated financial statements include accruals that have been established for contingent liabilities, pending claims and legal actions arising in the normal course of business, useful lives of property, plant and equipment assets, residual values of tanks, amortization methods of intangible assets, and valuation methods used to value sales returns and allowances, allowance for doubtful accounts, derivative commodity contracts and stock and unit-based compensation calculations.

Table of Contents*(3) Supplemental cash flow information:*

	For the three months ended October 31,	
	2006	2005
CASH PAID FOR:		
Interest	\$20,159	\$18,303
Income taxes	\$ 1,765	\$ 32
NON-CASH INVESTING ACTIVITIES:		
Assets contributed from Ferrellgas Partners in connection with acquisitions	\$ 500	\$
Assumption of liabilities in connection with acquisitions	\$ 2,067	\$ 1,042
Property, plant and equipment additions	\$ 1,535	\$ 1,311

(4) New accounting standards:

Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement is effective for fiscal years beginning after November 15, 2007. Ferrellgas L.P. is currently evaluating the potential impact of this statement.

SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as either an asset or liability in the statement of financial position and to recognize changes in that funded status through other comprehensive income. This statement also requires companies to measure plan assets and benefit obligations as of the date of the company s fiscal year-end. The recognition provisions of this statement are effective as of the end of fiscal years ending after December 15, 2006, while the measurement date provisions are effective as of the end of fiscal years ending after December 15, 2008. Ferrellgas L.P. is currently evaluating SFAS No. 158 and does not believe the adoption of either provision of this statement will have a significant impact on its financial position, results of operations and cash flows.

Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108), provides guidance on the quantification of prior year misstatements. SAB 108 requires that registrants use both the income statement (roll-over) approach and the balance sheet (iron curtain) approach when evaluating the materiality of a misstatement and contains guidance for correcting the errors under this dual approach. SAB 108 is effective for fiscal years ending after November 15, 2006, with earlier application encouraged. Ferrellgas, L.P. is currently evaluating the potential impact of this statement.

(5) Reclassifications:

Ferrellgas, L.P. reclassified \$45.8 million of customer deposits and advances from accounts payable to current liabilities in its July 31, 2006 condensed consolidated balance sheet to conform this amount to the current period presentation. Certain other reclassifications have been made to the prior year condensed consolidated financial statements to conform them to the current year presentation.

C. Unit and stock-based compensation

Ferrellgas, L.P. has no unit or stock-based compensation plans and is not required to adopt SFAS 123(R). However, in accordance with the partnership agreements of Ferrellgas Partners and Ferrellgas, L.P., all employee-related costs incurred by Ferrellgas Partners and Ferrell Companies are allocated to Ferrellgas, L.P. Ferrellgas, L.P. recognizes a non-cash compensation charge from Ferrellgas Partners and Ferrell Companies in the condensed consolidated statements of earnings as follows:

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	For the three months ended October 31, 2006	For the three months ended October 31, 2005
Operating expense	\$ 73	\$ 126
General and administrative expense	260	421
	\$ 333	\$ 547

Ferrellgas Partners Unit Option Plan (UOP)

There have been no awards granted pursuant to the UOP since fiscal 2001. During the three months ended October 31, 2006, no compensation charge relating to the UOP was recognized as all options currently outstanding are fully vested. During the three months ended October 31, 2005, the portion of the total non-cash compensation charge relating to the UOP was \$0.1 million

Ferrell Companies, Inc. Incentive Compensation Plan (ICP)

During the three months ended October 31, 2006 and 2005, the portion of the total non-cash compensation charge relating to the ICP was \$0.3 million and \$0.4 million, respectively.

D. Business combinations

Business combinations are accounted for under the purchase method and the assets acquired and liabilities assumed are recorded at their estimated fair market values as of the acquisition dates. The results of operations are included in the consolidated statements of earnings from the date of the acquisition. The pro forma effect of these transactions was not material to Ferrellgas, L.P.'s results of operations.

During the three months ended October 31, 2006, Ferrellgas, L.P. acquired propane distribution assets with an aggregate value of \$31.7 million in seven transactions.

These acquisitions were funded by \$29.2 million in cash payments, the contribution of net assets of \$0.5 million from Ferrellgas Partners and the issuance of \$2.0 million of liabilities.

The aggregate fair values of these seven transactions were allocated as follows:

Customer tanks, buildings and land	\$ 9,491
Non-compete agreements	1,669
Customer lists	17,207
Goodwill	2,739
Working capital	638
	\$ 31,744

The estimated fair values and useful lives of assets acquired are based on a preliminary internal valuation and are subject to final valuation adjustments. Ferrellgas, L.P. intends to continue its analysis of the net assets of these transactions to determine the final allocation of the total purchase price to the various assets and liabilities acquired.

Table of Contents**E. Accounts receivable securitization**

Ferrellgas, L.P. transfers certain of its trade accounts receivable to Ferrellgas Receivables, LLC (Ferrellgas Receivables), a wholly-owned unconsolidated, special purpose entity, and retains an interest in a portion of these transferred receivables. As these transferred receivables are subsequently collected and the funding from the accounts receivable securitization facility is reduced, Ferrellgas, L.P.'s retained interest in these receivables is reduced. The accounts receivable securitization facility consisted of the following:

	October 31, 2006	July 31, 2006
Retained interest	\$18,144	\$16,373
Accounts receivable transferred	\$97,500	\$87,500

The retained interest was classified as accounts and notes receivable on the condensed consolidated balance sheets. Ferrellgas, L.P. had the ability to transfer, at its option, an additional \$2.5 million of its trade accounts receivable at October 31, 2006.

Other accounts receivable securitization disclosures consist of the following items:

	For the three months ended October 31, 2006	2005
Net non-cash activity	\$617	\$480
Bad debt expense	\$140	\$ 81

The net non-cash activity reported in the condensed consolidated statements of earnings approximate the financing cost of issuing commercial paper backed by these accounts receivable plus an allowance for doubtful accounts associated with the outstanding receivables transferred to Ferrellgas Receivables. The weighted average discount rate used to value the retained interest in the transferred receivables was 5.4% and 6.0% as of October 31, 2006 and July 31, 2006, respectively.

F. Supplemental financial statement information

Inventories consist of:

	October 31, 2006	July 31, 2006
Propane gas and related products	\$ 148,634	\$ 130,644
Appliances, parts and supplies	24,101	23,969
	\$ 172,735	\$ 154,613

In addition to inventories on hand, Ferrellgas, L.P. enters into contracts primarily to buy propane for supply procurement purposes. Most of these contracts have terms of less than one year and call for payment based on market prices at the date of delivery. All fixed price contracts have terms of fewer than 24 months. As of October 31, 2006, Ferrellgas, L.P. had committed, for supply procurement purposes, to take net delivery of approximately 42.0 million gallons of propane at fixed prices.

Loss on disposal of assets and other consists of:

	For the three months ended October 31, 2006	2005
Loss on disposal of assets	\$ 1,654	\$ 413
	2,014	1,828

Loss on transfer of accounts receivable related to the accounts receivable securitization

Service income related to the accounts receivable securitization	(665)	(645)
	\$ 3,003	\$ 1,596

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Shipping and handling expenses are classified in the following condensed consolidated statements of earnings line items:

	For the three months ended October 31,	
	2006	2005
Operating expense	\$ 31,242	\$ 33,673
Depreciation and amortization expense	1,389	1,492
Equipment lease expense	5,910	6,292
	\$ 38,541	\$ 41,457

Other current liabilities consist of:

	October 31, 2006	July 31, 2006
Accrued interest	\$ 17,543	\$ 21,804
Accrued payroll	16,179	18,724
Current portion of long-term debt	3,237	14,758
Customer deposits and advances	54,154	45,837
Other	43,614	35,665
	\$ 134,727	\$ 136,788

G. Long-term debt

Long-term debt consists of:

	October 31, 2006	July 31, 2006
Senior notes		
Fixed rate, Series C-E, ranging from 7.12% to 7.42% due 2008 2013	\$ 204,000	\$ 241,000
Fixed rate, Series B-C, ranging from 8.78% to 8.87%, due 2007 2009	163,000	184,000
Fixed rate, 6.75% due 2014, net of unamortized discount	249,323	249,300
Credit agreement , variable interest rates, expiring 2010	91,303	45,453
Notes payable , due 2006 to 2016, net of unamortized discount	9,663	8,238
Capital lease obligations	76	83
	717,365	728,074
Less: current portion, included in other current liabilities on the condensed consolidated balance sheets	3,237	14,758
	714,128	\$ 713,316

On August 1, 2006, Ferrellgas, L.P. made scheduled principal payments of \$37.0 million of the 7.08% Series B and \$21.0 million of the 8.68% Series A senior notes using proceeds from borrowings on the unsecured bank credit facility. On August 29, 2006, Ferrellgas, L.P. used \$46.1 million of proceeds from limited partner and general partner contributions to retire a portion of the \$58.0 million borrowed under the unsecured bank credit facility.

On August 18, 2006, Ferrellgas L.P. executed a Commitment Increase Agreement to its Fifth Amended and Restated Credit Agreement dated April 22, 2005 increasing the borrowing capacity available under the unsecured bank credit facility from \$365.0 million to \$375.0 million. As of October

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31, 2006, Ferrellgas L.P. had total borrowings outstanding under the unsecured bank credit facility of \$211.9 million. Ferrellgas classified \$120.6 million of this amount as short term borrowings since it was used to fund working capital needs that management intends to pay down within the next 12 months. These borrowings have a weighted average interest rate of 7.51%. As of July 31, 2006, Ferrellgas, L.P. had total borrowings outstanding under the unsecured bank credit facility of \$98.1 million. Ferrellgas, L.P. classified \$52.6 million of this amount as short term borrowings since it was used to fund working capital needs that management intends to pay down within the next 12 months. These borrowings have a weighted average interest rate of 7.67%.

H. Partners capital

On August 29, 2006, Ferrellgas, L.P. received cash contributions of \$46.1 million from Ferrellgas Partners and the general partner. The proceeds were used to reduce borrowings outstanding under the unsecured bank credit facility.

I. Contingencies

Ferrellgas, L.P.'s operations are subject to all operating hazards and risks normally incidental to handling, storing, transporting and otherwise providing for use by consumers of combustible liquids such as propane. As a result, at any given time, Ferrellgas, L.P. is threatened with or named as a defendant in various lawsuits arising in the ordinary course of business. Currently, Ferrellgas, L.P. is not a party to any legal proceedings other than various claims and lawsuits arising in the ordinary course of business. It is not possible to determine the ultimate disposition of these matters; however, management is of the opinion that there are no known claims or contingent claims that are reasonably expected to have a material adverse effect on the condensed consolidated financial condition, results of operations and cash flows of Ferrellgas, L.P.

J. Distributions

On September 14, 2006, Ferrellgas, L.P. paid a cash distribution of \$32.1 million to Ferrellgas Partners and the general partner. On November 28, 2006, Ferrellgas, L.P. declared a cash distribution of \$43.9 million that is expected to be paid on December 15, 2006.

K. Transactions with related parties*Reimbursable costs*

Ferrellgas, L.P. has no employees and is managed and controlled by its general partner. Pursuant to Ferrellgas, L.P.'s partnership agreement, the general partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of Ferrellgas, L.P., and all other necessary or appropriate expenses allocable to Ferrellgas, L.P. or otherwise reasonably incurred by its general partner in connection with operating Ferrellgas, L.P.'s business. These costs primarily include compensation and benefits paid to employees of the general partner who perform services on Ferrellgas, L.P.'s behalf and are reported in the condensed consolidated statements of earnings as follows:

	For the three months ended October 31,	
	2006	2005
Operating expense	\$50,186	\$50,312
General and administrative expense	4,851	5,004

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Partnership distributions

Ferrellgas, L.P. paid to Ferrellgas Partners and the general partner distributions of \$31.8 million and \$0.3 million, respectively, during the three months ended October 31, 2006. On November 28, 2006, Ferrellgas, L.P. declared distributions to Ferrellgas Partners and the general partner of \$43.5 million and \$0.4 million, respectively.

Operations

Ferrell International Limited (Ferrell International) is beneficially owned by James E. Ferrell, the Chairman and Chief Executive Officer of the general partner, and thus is an affiliate. During the prior year period, Ferrellgas, L.P. provided limited accounting services for Ferrell International and recognized \$10 thousand of receipts from providing accounting services for Ferrell International. There were no amounts due from or due to Ferrell International at October 31, 2006.

During September 2006, Ferrellgas, L.P. authorized the payment of \$0.3 million to the benefit of Mr. Andrew J. Filipowski pursuant to the indemnification provisions of Blue Rhino Corporation's former bylaws and the Agreement and Plan of Merger with Blue Rhino Corporation. Mr. Filipowski is the brother-in-law of Mr. Billy D. Prim, who is a member of the general partner's Board of Directors and Special Advisor to the Chief Executive Officer of the general partner.

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FERRELLGAS FINANCE CORP.
(A wholly-owned subsidiary of Ferrellgas, L.P.)
CONDENSED BALANCE SHEETS
(in dollars)
(unaudited)

	October 31, 2006	July 31, 2006
ASSETS		
Cash	\$ 1,000	\$ 1,000
Total assets	\$ 1,000	\$ 1,000
STOCKHOLDER S EQUITY		
Common stock, \$1.00 par value; 2,000 shares authorized; 1,000 shares issued and outstanding	\$ 1,000	\$ 1,000
Additional paid in capital	1,776	1,776
Accumulated deficit	(1,776)	(1,776)
Total stockholder s equity	\$ 1,000	\$ 1,000

CONDENSED STATEMENTS OF EARNINGS
(in dollars)
(unaudited)

	For the three months ended October 31, 2006	2005
General and administrative expense	\$	\$
Net loss	\$	\$

See note to condensed financial statements.

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FERRELLGAS FINANCE CORP.
(A wholly-owned subsidiary of Ferrellgas, L.P.)
CONDENSED STATEMENTS OF CASH FLOWS
(in dollars)
(unaudited)

	For the three months ended October 31,	
	2006	2005
Cash flows from operating activities:		
Net loss	\$	\$
Cash used in operating activities		
Cash flows from financing activities:		
Capital contribution		
Cash provided by financing activities		
Change in cash		
Cash beginning of period	1,000	1,000
Cash end of period	\$ 1,000	\$ 1,000

See note to condensed financial statements.

NOTE TO CONDENSED FINANCIAL STATEMENTS
OCTOBER 31, 2006
(unaudited)

A. Organization

Ferrellgas Finance Corp. (the "Finance Corp."), a Delaware corporation, was formed on January 16, 2003 and is a wholly-owned subsidiary of Ferrellgas, L.P. (the "Partnership").

The condensed financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the interim periods presented. All adjustments to the condensed financial statements were of a normal, recurring nature.

The Finance Corp. has nominal assets, does not conduct any operations, has no employees and serves as co-obligor for debt securities of the Partnership.

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

Our management's discussion and analysis of financial condition and results of operations relates to Ferrellgas Partners, L.P. and Ferrellgas, L.P.

Ferrellgas Partners Finance Corp. and Ferrellgas Finance Corp. have nominal assets, do not conduct any operations and have no employees. Ferrellgas Partners Finance Corp. serves as co-obligor for debt securities of Ferrellgas Partners and Ferrellgas Finance Corp. serves as co-obligor for debt securities of Ferrellgas, L.P. Accordingly, and due to the reduced disclosure format, a discussion of the results of operations, liquidity and capital resources of Ferrellgas Partners Finance Corp. and Ferrellgas Finance Corp. is not presented in this section.

In this Quarterly Report on Form 10-Q, unless the context indicates otherwise:

us, we, our, or ours are references exclusively to Ferrellgas Partners, L.P. together with its consolidated subsidiaries, including Ferrellgas Partners Finance Corp., Ferrellgas, L.P. and Ferrellgas Finance Corp., except when used in connection with common units in which case these terms refer to Ferrellgas Partners, L.P. without its consolidated subsidiaries;

Ferrellgas Partners refers to Ferrellgas Partners, L.P. itself, without its consolidated subsidiaries;

the operating partnership refers to Ferrellgas, L.P., together with its consolidated subsidiaries, including Ferrellgas Finance Corp.;

our general partner refers to Ferrellgas, Inc.;

Ferrell Companies refers to Ferrell Companies, Inc., the sole shareholder of our general partner;

unitholders refers to holders of common units of Ferrellgas Partners;

customers refers to customers other than our wholesale customers or our other bulk propane distributors and marketers;

propane sales volumes refers to the volume of propane sold to our customers and excludes any volumes of propane sold to our wholesale customers and other bulk propane distributors or marketers; and

Notes refers to the notes to the condensed consolidated financial statements of Ferrellgas Partners or the operating partnership, as applicable.

Ferrellgas Partners is a holding entity that conducts no operations and has two direct subsidiaries, Ferrellgas Partners Finance Corp. and the operating partnership. Ferrellgas Partners' only significant assets are its approximate 99% limited partnership interest in the operating partnership and its 100% equity interest in Ferrellgas Partners Finance Corp. The common units of Ferrellgas Partners are listed on the New York Stock Exchange and our activities are substantially conducted through the operating partnership.

The operating partnership was formed on April 22, 1994, and accounts for substantially all of our consolidated assets, sales and operating earnings, except for interest expense related to \$268.0 million in the aggregate principal amount of 8 3/4% senior notes due 2012 co-issued by Ferrellgas Partners and Ferrellgas Partners Finance Corp.

Our general partner performs all management functions for us and our subsidiaries and holds a 1% general partner interest in Ferrellgas Partners and an approximate 1% general partner interest in the operating partnership. The parent company of our general partner, Ferrell Companies, beneficially owns approximately 32% of our outstanding common units. Ferrell Companies is owned 100% by an employee stock ownership trust.

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We file annual, quarterly, and other reports and other information with the SEC. You may read and download our SEC filings over the internet from several commercial document retrieval services as well as at the SEC's website at www.sec.gov. You may also read and copy our SEC filings at the SEC's public reference room at, 100 F Street N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information concerning the public reference room and any applicable copy charges. Because our common units are traded on the New York Stock Exchange, we also provide our SEC filings and particular other information to the New York Stock Exchange. You may obtain copies of these filings and this other information at the offices of the New York Stock Exchange at 11 Wall Street, New York, New York 10005. In addition, our SEC filings are available on our website at www.ferrellgas.com at no cost as soon as reasonably practicable after our electronic filing or furnishing thereof with the SEC. Please note that any internet addresses provided in this Quarterly Report on Form 10-Q are for informational purposes only and are not intended to be hyperlinks. Accordingly, no information found and/or provided at such internet addresses is intended or deemed to be incorporated by reference herein.

The following is a discussion of our historical financial condition and results of operations and should be read in conjunction with our historical condensed consolidated financial statements and accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

The discussions set forth in the Results of Operations and Liquidity and Capital Resources sections generally refer to Ferrellgas Partners and its consolidated subsidiaries. However, in these discussions there exists two material differences between Ferrellgas Partners and the operating partnership. Those two material differences are:

because Ferrellgas Partners issued \$268.0 million in aggregate principal amount of 8 3/4% senior secured notes due fiscal 2012 during fiscal 2004 and 2003, the two partnerships incur different amounts of interest expense on their outstanding indebtedness; see the statements of earnings in their respective condensed consolidated financial statements; and

Ferrellgas Partners issued common units in several transactions during fiscal 2006 and 2007.

For a detailed description of risks that may affect our business, please see the section of our Annual Report on Form 10-K for our fiscal 2006 entitled Item 1A. Risk factors.

Overview

We are a leading distributor of propane and related equipment and supplies to customers primarily in the United States. We believe that we are the second largest retail marketer of propane in the United States, including the largest national provider of propane by portable tank exchange as measured by our propane sales volumes in fiscal 2006. We serve more than one million residential, industrial/commercial, propane tank exchange, agricultural and other customers in all 50 states, the District of Columbia and Puerto Rico. Our operations primarily include the distribution and sale of propane and related equipment and supplies with concentrations in the Midwest, Southeast, Southwest and Northwest regions of the country.

The market for propane is seasonal because of increased demand during the winter months primarily for the purpose of providing heating in residential and commercial buildings. Consequently, sales and operating profits are concentrated in our second and third fiscal quarters, which are during the winter heating season of November through March. However, the propane by portable tank exchanges sales volume provides us increased operating profits during our first and fourth fiscal quarters due to its counter-seasonal business activities. It also provides us the ability to better utilize our seasonal resources at our retail distribution locations. Other factors affecting our results of operations include competitive conditions, energy commodity prices, demand for propane, timing of acquisitions and general economic conditions in the United States.

Weather conditions have a significant impact on demand for propane for heating purposes during the winter heating season of November through March. Accordingly, the volume of propane sold for this purpose is directly affected by the severity of the winter weather in the regions we serve and can vary substantially from year to year. In any given region, sustained warmer-than-normal temperatures will tend

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to result in reduced propane use, while sustained colder-than-normal temperatures will tend to result in greater use. We use information on temperatures to understand how our results of operations are affected by temperatures that are warmer or colder than normal. We use the definition of normal temperatures based on information published by the National Oceanic and Atmospheric Administration (NOAA). Based on this information, we calculate a ratio of actual heating degree days to normal heating degree days. Heating degree days are a general indicator of weather impacting propane usage.

Our gross margin from the distribution of propane is primarily based on the cents-per-gallon difference between our costs to purchase and distribute propane and the sale prices we charge our customers. Our residential customers and portable tank exchange customers typically provide us a greater cents-per-gallon margin than our industrial/commercial, agricultural and other customers. The wholesale propane price per gallon is subject to various market conditions and may fluctuate based on changes in demand, supply and other energy commodity prices, primarily crude oil and natural gas as propane prices tend to correlate with the fluctuations of these underlying commodities. The wholesale price per gallon of propane has been at historically high levels during the past few fiscal years. We employ risk management activities that attempt to mitigate risks related to the purchasing and transporting of propane.

We continue to pursue the following business strategies:
 capitalize on our national presence and economies of scale;

expand our operations through disciplined acquisitions and internal growth; and

align employee interests with our investors through significant employee ownership.

Forward-looking statements

Statements included in this report include forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. These statements often use words such as anticipate, believe, intend, plan, projection, forecast, strategy, position, continue, estimate, the negative of those terms or other variations of them or comparable terminology. These statements often discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future and are based upon the beliefs and assumptions of our management and on the information currently available to them. In particular, statements, express or implied, concerning future operating results, or our ability to generate sales, income or cash flow are forward-looking statements.

Forward-looking statements are not guarantees of performance. You should not put undue reliance on any forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions that could cause our actual results to differ materially from those expressed in or implied by these forward-looking statements. Many of the factors that will affect our future results are beyond our ability to control or predict.

Some of our forward-looking statements include the following:

whether the operating partnership will have sufficient funds to meet its obligations, including its obligations under its debt securities, and to enable it to distribute to Ferrellgas Partners sufficient funds to permit Ferrellgas Partners to meet its obligations with respect to its existing debt and equity securities;

whether Ferrellgas Partners and the operating partnership will continue to meet all of the quarterly financial tests required by the agreements governing their indebtedness; and

the expectation that temperatures for the winter heating season will return to normal causing revenues propane and other gas liquids sales, cost of product sold propane and other gas liquids sales, operating income and net earnings to increase during the remainder of fiscal 2007 as compared to the same period during fiscal 2006.

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These forward-looking statements can also be found in the section of our Annual Report on Form 10-K for our fiscal 2006 entitled Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. When considering any forward-looking statement, you should also keep in mind the risk factors set forth in the section of our Annual Report on Form 10-K for our fiscal 2006 entitled Item 1A. Risk Factors. Any of these risks could impair our business, financial condition or results of operations. Any such impairment may affect our ability to make distributions to our unitholders or pay interest on the principal of any of our debt securities. In addition, the trading price, if any, of our securities could decline as a result of any such impairment.

Except for our ongoing obligations to disclose material information as required by federal securities laws, we undertake no obligation to update any forward-looking statements or risk factors after the date of this quarterly report.

Results of Operations**Three months ended October 31, 2006 compared to October 31, 2005**

(amounts in thousands)

			Favorable (unfavorable) variance	
Three months ended October 31,	2006	2005		
Propane sales volumes (gallons)	161,245	167,407	(6,162)	(4)%
Propane and other gas liquids sales	\$344,919	\$353,418	(8,499)	(2)%
Gross margin from propane and other gas liquids sales (a)	110,233	107,771	2,462	2%
Operating loss	(8,133)	(5,472)	(2,661)	(49)%
Interest expense	22,380	20,875	(1,505)	(7)%

(a) Gross margin from propane and other gas liquids sales represents Propane and other gas liquids sales less Cost of product sold propane and other gas liquids sales.

Propane sales volumes during the three months ended October 31, 2006 decreased 6.2 million gallons compared to the prior year period. The decrease in propane sales volumes was primarily due to customer conservation, partially offset by gallons acquired through acquisitions completed since the beginning of fiscal 2006. Although the wholesale market price of propane has remained consistent with that of the prior year period, the wholesale market price has increased 22% since the first quarter of fiscal 2005. The wholesale market price at one of the major supply points, Mt. Belvieu, Texas averaged \$1.03 and \$1.06 per gallon during the three months ended October 31, 2006 and 2005, respectively, compared to an average price of \$0.85 per gallon during the three months ended October 31, 2004. We believe this consistently high price has resulted in additional customer conservation.

Propane and other gas liquids sales decreased \$8.5 million compared to the prior year period. Approximately \$16.1 million of this decrease was due to the effect of lower propane sales volumes, as discussed above and a \$15.9 million decrease in sales related to lower margin wholesale and other third-party sales. These decreases were partially offset by the impact of \$17.0 million of increased sales price per gallon, \$3.9 million related to acquisitions completed since the beginning of fiscal 2006 and \$2.3 million of continued tank exchange gallon growth.

Gross margin from propane and other gas liquids sales increased \$2.5 million compared to the prior year period. Although propane sales volumes decreased during the three months ended October 31, 2006 compared to the prior

year period, we were able to more than offset this impact with improved margins per gallon.

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Operating loss increased \$2.7 million compared to the prior year period primarily due to a \$3.0 million decrease in margin related to other revenue primarily due to the divestiture of certain non-strategic transportation assets, a \$1.4 million increase in loss on disposal of assets and fixed costs related to acquisitions completed since the beginning of fiscal 2006, primarily \$0.6 million of depreciation and amortization. These factors were partially offset by the previously mentioned \$2.5 million increase in gross margin from propane and other gas liquids sales.

Interest expense increased \$1.5 million primarily due to increased borrowings on our unsecured bank credit facility, partially offset by retirement of a portion of our fixed rate senior notes during the three months ended October 31, 2006.

Interest expense of the operating partnership

Interest expense increased \$1.5 million primarily due to increased borrowings on our unsecured bank credit facility, partially offset by retirement of a portion of our fixed rate senior notes during the three months ended October 31, 2006.

Forward-looking statements

We expect increases during the remainder of fiscal 2007 for revenue propane and other gas liquids sales, cost of product sold propane and other gas liquids sales, operating income and net earnings as compared to the same period during fiscal 2006 due to:

our assumption that interest rates will remain relatively stable during the remainder of fiscal 2007, and

our assumption that temperatures for the winter heating season will return to normal causing an increase in propane sales volumes during the remainder of fiscal 2007.

Liquidity and Capital Resources

General

Our cash requirements include working capital requirements, debt service payments, the minimum quarterly common unit distribution, acquisition and capital expenditures. The minimum quarterly distribution of \$0.50 expected to be paid on December 15, 2006 to all common units that were outstanding on December 8, 2006, represents the forty-ninth consecutive minimum quarterly distribution paid to our common unitholders dating back to October 1994. Our working capital requirements are subject to, among other things, the price of propane, delays in the collection of receivables, volatility in energy commodity prices, liquidity imposed by insurance providers, downgrades in our credit ratings, decreased trade credit, significant acquisitions, the weather and other changes in the demand for propane. Relatively colder weather or higher propane prices during the winter heating season are factors that could significantly increase our working capital requirements.

Our ability to satisfy our obligations is dependent upon our future performance, which will be subject to prevailing economic, financial, business, weather conditions and other factors, many of which are beyond our control. Due to the seasonality of the retail propane distribution business, a significant portion of our cash flow from operations is generated during the winter heating season, which occurs during our second and third fiscal quarters. Our net cash provided by operating activities primarily reflects earnings from our business activities adjusted for depreciation and amortization and changes in our working capital accounts. Historically, we generate significantly lower net cash from operating activities in our first and fourth fiscal quarters as compared to the second and third fiscal quarters because fixed costs generally exceed revenues and related costs and expenses during the non-peak heating season. Subject to meeting the financial tests discussed below, our general partner believes that the operating partnership will have sufficient funds available to meet its obligations, and to distribute to Ferrellgas Partners sufficient funds to permit Ferrellgas Partners to meet its obligations for the remainder of fiscal 2007 and in fiscal 2008. In addition, our general partner believes that the operating partnership will have sufficient funds available to distribute to Ferrellgas Partners sufficient cash to pay the minimum quarterly distribution on all of its common units for the remainder of fiscal 2007 and in fiscal 2008.

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Our bank credit facility, public debt, private debt and accounts receivable securitization facility contain several financial tests and covenants restricting our ability to pay distributions, incur debt and engage in certain other business transactions. In general, these tests are based on our debt-to-cash flow ratio and cash flow-to-interest expense ratio. Our general partner currently believes that the most restrictive of these tests are debt incurrence limitations under the terms of our bank credit and accounts receivable securitization facilities and limitations on the payment of distributions within our 8 3/4% senior notes due 2012. The bank credit and accounts receivable securitization facilities generally limit the operating partnership's ability to incur debt if it exceeds prescribed ratios of either debt to cash flow or cash flow to interest expense. Our 8 3/4% senior notes restrict payments if a minimum ratio of cash flow to interest expense is not met, assuming certain exceptions to this ratio limit have previously been exhausted. This restriction places limitations on our ability to make restricted payments such as the payment of cash distributions to our unitholders. The cash flow used to determine these financial tests generally is based upon our most recent cash flow performance giving pro forma effect for acquisitions and divestitures made during the test period. Our bank credit facility, public debt, private debt and accounts receivable securitization facility do not contain early repayment provisions related to a potential decline in our credit rating.

As of October 31, 2006, we met all the required quarterly financial tests and covenants. Based upon current estimates of our cash flow, our general partner believes that we will be able to continue to meet all of the required quarterly financial tests and covenants for the remainder of fiscal 2007 and in fiscal 2008. However, we may not meet the applicable financial tests in future quarters if we were to experience:

continued significantly warmer than normal winter temperatures;

a continued volatile energy commodity cost environment;

an unexpected downturn in business operations; or

a general economic downturn in the United States.

This failure could have a materially adverse effect on our operating capacity and cash flows and could restrict our ability to incur debt or to make cash distributions to our unitholders, even if sufficient funds were available.

Depending on the circumstances, we may consider alternatives to permit the incurrence of debt or the continued payment of the quarterly cash distribution to our unitholders. No assurances can be given, however, that such alternatives can or will be implemented with respect to any given quarter.

We expect our future capital expenditures and working capital needs to be provided by a combination of cash generated from future operations, existing cash balances, the bank credit facility or the accounts receivable securitization facility. See additional information about the accounts receivable securitization facility in Operating Activities Accounts receivable securitization. In order to reduce existing indebtedness, fund future acquisitions and expansive capital projects, we may obtain funds from our facilities, we may issue additional debt to the extent permitted under existing financing arrangements or we may issue additional equity securities, including, among others, common units.

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Toward this purpose, the following registration statements were effective upon filing or declared effective by the SEC:

a shelf registration statement for the periodic sale of common units, debt securities and/or other securities was effective upon filing in March 2006. Ferrellgas Partners Finance Corp. may, at our election, be the co-obligor on any debt securities issued by Ferrellgas Partners under this shelf registration statement;

an acquisition shelf registration statement for the periodic sale of up to \$250.0 million of common units to fund acquisitions which the SEC declared effective in March 2006. As of November 30, 2006 we had \$242.3 million available under this shelf agreement; and

a shelf registration statement for the periodic sale of up to \$200.0 million of common units in connection with the Ferrellgas Partners direct purchase and distribution reinvestment plan which the SEC will declare effective on or about December 8, 2006.

Operating Activities

Net cash used in operating activities was \$25.3 million for the three months ended October 31, 2006, compared to net cash used in operating activities of \$27.7 million for the prior year period. This decrease in cash used in operating activities was primarily due to a decrease in cash outflow to fund working capital requirements of \$13.1 million. This decrease in cash outflow to fund working capital requirements was primarily due to the timing of inventory purchases and the timing of the collection of accounts receivable, partially offset by the timing of accounts payable disbursements. Partially offsetting these factors was an increase in cash outflow for operations of \$2.5 million and an \$8.5 million decrease in cash inflows from the utilization of our accounts receivable securitization facility.

Accounts receivable securitization

Cash flows from our accounts receivable securitization facility decreased \$8.5 million. We received net funding of \$8.0 million from this facility during the three months ended October 31, 2006 as compared to \$16.5 million in the prior year period.

Our strategy for obtaining liquidity at the lowest cost of capital is to initially utilize the accounts receivable securitization facility before borrowings under the operating partnership's bank credit facility. See additional discussion about the operating partnership's bank credit facility in Financing Activities Bank credit facility. Our utilization of the accounts receivable securitization facility is limited by the amount of accounts receivable that we are permitted to transfer according to the facility agreement. This arrangement allows us to sell between \$85.0 million and \$160.0 million of accounts receivable, depending on the time of the year and available undivided interests in our accounts receivable from certain customers. We renewed this facility effective June 6, 2006, for a 364-day commitment with JPMorgan Chase Bank, N.A. and Fifth Third Bank. We generally increase our use of the accounts receivable securitization facility during the winter heating season when our working capital needs and our accounts receivable balances increase significantly. At October 31, 2006, we had funding outstanding of \$97.5 million with the ability to transfer, at our option, an additional \$2.5 million of our trade accounts receivable to the accounts receivable securitization facility. As our trade accounts receivable increase during the winter heating season, the securitization facility permits us to transfer additional trade accounts receivable to the facility, thereby providing additional cash for working capital needs. This transaction is reflected in our condensed consolidated financial statements as a sale of accounts receivable and a retained interest in transferred accounts receivable.

The operating partnership

Net cash used in operating activities was \$25.3 million for the three months ended October 31, 2006, compared to net cash used in operating activities of \$27.7 million for the prior year period. This decrease in cash used in operating activities was primarily due to a decrease in cash outflow to fund working capital requirements of \$13.2 million. This decrease in cash outflow to fund working capital requirements was primarily due to the timing of inventory purchases and the timing of the collection of accounts receivable, partially offset by timing of accounts payable disbursements. Partially offsetting these factors was an increase in cash outflow for operations of \$2.6 million and an \$8.5 million decrease in cash inflows from the utilization of our accounts receivable securitization facility.

Investing Activities

During the three months ended October 31, 2006, net cash used in investing activities was \$35.7 million, compared to \$13.0 million used in investing activities for the prior year period. This increase in cash used in investing activities is primarily due to increased acquisition activity and capital expenditures.

Acquisition

During the three months ended October 31, 2006, we used \$29.2 million in cash, \$2.0 million of debt and \$0.5 million primarily of common unit issuances as well as other costs and consideration for the acquisition of seven propane businesses as compared to \$10.6 million in cash in the prior year period.

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Capital expenditures

We made cash capital expenditures of \$9.2 million during the three months ended October 31, 2006 as compared to \$5.7 million in the prior year period primarily due to increased capital expenditures for tank exchange operations.

Financing Activities

During the three months ended October 31, 2006, net cash provided by financing activities was \$68.5 million compared to net cash provided by financing activities of \$44.7 million for the prior year period. This increase in cash provided by financing activities compared to the prior year period was primarily due to increased cash flows from the issuance of common units and offset by scheduled principal payments made during the three months ended October 31, 2006.

Common unit issuance

During the three months ended October 31, 2006, we received proceeds of \$44.3 million, net of issuance costs, from the issuance of 1.9 million common units to Ferrell Companies pursuant to Ferrellgas Partners' Direct Investment Plan and general partner contributions. We used the net proceeds to reduce borrowings on our unsecured bank credit facility.

Distributions

Ferrellgas Partners paid the minimum quarterly distribution on all common units, as well as the related general partner distributions, totaling \$31.7 million during the three months ended October 31, 2006 in connection with the distributions declared for the three months ended July 31, 2006. The minimum quarterly distribution on all common units and the related general partner distributions for the three months ended October 31, 2006 of \$31.7 million are expected to be paid on December 15, 2006 to holders of record on December 8, 2006.

Bank credit facility

During August 2006, we executed a Commitment Increase Agreement to our existing unsecured bank credit facility, increasing the borrowing capacity from \$365.0 million to \$375.0 million.

At October 31, 2006, \$211.9 million of borrowings and \$54.2 million of letters of credit were outstanding under our unsecured bank credit facility, which will mature on April 22, 2010. Letters of credit are currently used to cover obligations primarily relating to requirements for insurance coverage and, to a lesser extent, risk management activities and product purchases. At October 31, 2006, we had \$108.9 million available for working capital, acquisition, capital expenditure and general partnership purposes under our unsecured bank credit facility.

All borrowings under our unsecured bank credit facility bear interest, at our option, at a rate equal to either: a base rate, which is defined as the higher of the federal funds rate plus 0.50% or Bank of America's prime rate (as of October 31, 2006, the federal funds rate and Bank of America's prime rate were 5.31% and 8.25%, respectively); or

the Eurodollar Rate plus a margin varying from 1.50% to 2.50% (as of October 31, 2006, the one-month and three-month Eurodollar Rates were 5.32% and 5.37%, respectively).

In addition, an annual commitment fee is payable on the daily unused portion of our unsecured bank credit facility at a per annum rate varying from 0.375% to 0.500% (as of October 31, 2006, the commitment fee per annum rate was 0.375%).

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We believe that the liquidity available from our unsecured bank credit facility and the accounts receivable securitization facility will be sufficient to meet our future working capital needs for the remainder of fiscal 2007 and all of fiscal 2008. See *Operating Activities* for discussion about our accounts receivable securitization facility. However, if we were to experience an unexpected significant increase in working capital requirements, our working capital needs could exceed our immediately available resources. Events that could cause increases in working capital borrowings or letter of credit requirements include, but are not limited to the following:

- a significant increase in the wholesale cost of propane;
- a significant delay in the collections of accounts receivable;
- increased volatility in energy commodity prices related to risk management activities;
- increased liquidity requirements imposed by insurance providers;
- a significant downgrade in our credit rating;
- decreased trade credit; or
- a significant acquisition.

If one or more of these or other events caused a significant use of available funding, we may consider alternatives to provide increased working capital funding. No assurances can be given, however, that such alternatives would be available, or, if available, could be implemented.

The operating partnership

The financing activities discussed above also apply to the operating partnership except for cash flows related to distributions, as discussed below.

Distributions

The operating partnership paid cash distributions of \$32.1 million during the three months ended October 31, 2006. The operating partnership expects to make cash distributions of \$43.9 million on December 15, 2006.

Disclosures about Effects of Transactions with Related Parties

We have no employees and are managed and controlled by our general partner. Pursuant to our partnership agreement, our general partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on our behalf, and all other necessary or appropriate expenses allocable to us or otherwise reasonably incurred by our general partner in connection with operating our business. These reimbursable costs, which totaled \$55.0 million for the three months ended October 31, 2006, include operating expenses such as compensation and benefits paid to employees of our general partner who perform services on our behalf, as well as related general and administrative expenses.

Related party common unitholder information consisted of the following:

	Common unit ownership at October 31, 2006	Distributions paid during the three months ended October 31, 2006
Ferrell Companies (1)	20,080.8	\$ 10,040
FCI Trading Corp. (2)	195.7	98
Ferrell Propane, Inc. (3)	51.2	26
James E. Ferrell (4)	4,292.0	2,146

- (1) Ferrell Companies is the sole shareholder of our general partner.

- (2) FCI Trading Corp. is an affiliate of the general partner and is wholly-owned by Ferrell Companies.
- (3) Ferrell Propane, Inc. is wholly-owned by our general partner.
- (4) James E. Ferrell (Mr. Ferrell) is the Chairman and Chief Executive Officer of our general partner.

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During the three months ended October 31, 2006, Ferrellgas Partners paid our general partner distributions of \$0.3 million.

In August, 2006, we received proceeds of \$44.1 million, net of issuance costs, from the issuance of 1.9 million common units to Ferrell Companies pursuant to Ferrellgas Direct Investment Plan. We used the net proceeds to reduce borrowings outstanding under our unsecured bank credit facility.

During September 2006, we authorized the payment of \$0.3 million to the benefit of Mr. Andrew J. Filipowski pursuant to the indemnification provisions of Blue Rhino Corporation's former bylaws and the Agreement and Plan of Merger with Blue Rhino Corporation. Mr. Filipowski is the brother-in-law of Mr. Billy D. Prim, who is a member of our general partner's board of directors and Special Advisor to the Chief Executive Officer of our general partner.

Ferrell International Limited (Ferrell International) is beneficially owned by Mr. Ferrell and thus is an affiliate. During the prior year period, we provided limited accounting services to Ferrell International. During the three months ended October 31, 2006, we recognized no net receipts from providing limited accounting services. There were no amounts due from or due to Ferrell International at October 31, 2006.

See Financing Activities for additional information regarding transactions with related parties.

We believe these related party transactions were under terms that were no less favorable to us than those available with third parties.

We have had no material changes in our contractual obligations that were outside the ordinary course of business since our disclosure in our Annual Report on Form 10-K for our fiscal 2006.

See Note B Summary of significant accounting policies in our condensed consolidated financial statements for discussion regarding the adoption of new accounting standards in the current fiscal year.

We have had no other material changes to our critical accounting policies and estimates since our disclosure in our Annual Report on Form 10-K for our fiscal 2006.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our risk management trading activities include the use of energy commodity forward contracts, swaps and options traded on the over-the-counter financial markets and futures and options traded on the New York Mercantile Exchange. These risk management activities are conducted primarily to offset the effect of market price fluctuations on propane inventory and purchase commitments and to mitigate the price risk on sale commitments to our customers.

Our risk management trading activities are intended to generate a profit, which we then apply to reduce our cost of product sold. The results of our risk management activities directly related to the delivery of propane to our customers, which include our supply procurement, storage and transportation activities, are presented in our discussion of margins and are accounted for at cost. The results of our other risk management activities are presented separately in our discussion of gross margin found in Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations as risk management trading activities and are accounted for at fair value.

Market risks associated with energy commodities are monitored daily by senior management for compliance with our commodity risk management policy. This policy includes an aggregate dollar loss limit and limits on the term of various contracts. We also utilize volume limits for various energy commodities and review our positions daily where we remain exposed to market risk, so as to manage exposures to changing market prices.

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We did not enter into any risk management trading activities during the three months ended October 31, 2006. Our remaining market risk sensitive instruments and positions have been determined to be other than trading .

Commodity Price Risk

Our risk management activities primarily attempt to mitigate risks related to the purchasing, storing and transporting of propane. We generally purchase propane in the contract and spot markets from major domestic energy companies on a short-term basis. Our costs to purchase and distribute propane fluctuate with the movement of market prices. This fluctuation subjects us to potential price risk, which we attempt to minimize through the use of risk management activities.

Our risk management activities include the use of forward contracts, futures, swaps and options to seek protection from adverse price movements and to minimize potential losses. Our hedging strategy involves taking positions in the forward or financial markets that are equal and opposite to our positions in the physical product markets in order to minimize the risk of financial loss from an adverse price change. Our hedging strategy is successful when our gains or losses in the physical product markets are offset by our losses or gains in the forward or financial markets.

Market risks associated with energy commodities are monitored daily by senior management for compliance with our commodity risk management policy. This policy includes an aggregate dollar loss limit and limits on the term of various contracts. We also utilize volume limits for various energy commodities and review our positions daily where we remain exposed to market risk, so as to manage exposures to changing market prices.

We have prepared a sensitivity analysis to estimate the exposure to market risk of our energy commodity positions. Forward contracts, futures, swaps and options outstanding as of October 31, 2006 and July 31, 2006, that were used in our risk management activities were analyzed assuming a hypothetical 10% adverse change in prices for the delivery month for all energy commodities. The potential loss in future earnings from these positions due to a 10% adverse movement in market prices of the underlying energy commodities was estimated at \$3.9 million and \$5.7 million as of October 31, 2006 and July 31, 2006, respectively. The preceding hypothetical analysis is limited because changes in prices may or may not equal 10%, thus actual results may differ.

Our sensitivity analysis includes designated hedging and the anticipated transactions associated with these hedging transactions. These hedging transactions are anticipated to be 100% effective; therefore, there is no effect on our sensitivity analysis from these hedging transactions. To the extent option contracts are used as hedging instruments for anticipated transactions we have included the offsetting effect of the anticipated transactions, only to the extent the option contracts are in the money, or would become in the money as a result of the 10% hypothetical movement in prices. All other anticipated transactions for risk management activities have been excluded from our sensitivity analysis.

Interest Rate Risk

At October 31, 2006 and July, 31, 2006, we had \$211.9 million and \$98.1 million, respectively, in variable rate bank credit facility borrowings. Thus, assuming a one percent increase in our variable interest rate, our interest rate risk related to the borrowings on our variable rate bank credit facility would result in a loss in future earnings of \$2.1 million for the twelve months ending October 31, 2006. The preceding hypothetical analysis is limited because changes in interest rates may or may not equal one percent, thus actual results may differ.

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ITEM 4. CONTROLS AND PROCEDURES

An evaluation was performed by our management, with the participation of the principal executive officer and principal financial officer of our general partner, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures, as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act, were designed to be and were adequate and effective as of October 31, 2006.

Our management does not expect that our disclosure controls and procedures will prevent all errors and all fraud. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Based on the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Partnership have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events. Therefore, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our disclosure controls and procedures are designed to provide such reasonable assurances of achieving our desired control objectives, and the principal executive officer and principal financial officer of our general partner have concluded, as of October 31, 2006, that our disclosure controls and procedures are effective in achieving that level of reasonable assurance.

During the most recent fiscal quarter ended October 31, 2006, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) or Rule 15d-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Our operations are subject to all operating hazards and risks normally incidental to handling, storing, transporting and otherwise providing for use by consumers of combustible liquids such as propane. As a result, at any given time, we are threatened with or named as a defendant in various lawsuits arising in the ordinary course of business. Currently, we are not a party to any legal proceedings other than various claims and lawsuits arising in the ordinary course of business. It is not possible to determine the ultimate disposition of these matters; however, management is of the opinion that there are no known claims or contingent claims that are reasonably expected to have a material adverse effect on our financial condition, results of operations and cash flows.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors as previously disclosed in the registrants Annual Report on Form 10-K for our fiscal 2006.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

The exhibits listed below are furnished as part of this Quarterly Report on Form 10-Q. Exhibits required by Item 601 of Regulation S-K of the Securities Act, which are not listed, are not applicable.

Exhibit Number	Description
2.1	Contribution Agreement dated February 8, 2004, by and among FCI Trading Corp., Ferrellgas, Inc., Ferrellgas Partners, L.P. and Ferrellgas, L.P. Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed February 12, 2004.
3.1	Fourth Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P., dated as of February 18, 2003. Incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K filed February 18, 2003.
3.2	First Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P., dated as of March 8, 2003. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed March 8, 2005.
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3.4	Third Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P. dated as of October 11, 2006. Incorporated by reference to Exhibit 3.4 to our Annual Report on Form 10-K filed October 12, 2006.
3.5	Certificate of Incorporation for Ferrellgas Partners Finance Corp. Incorporated by reference to the same numbered Exhibit to our Quarterly Report on Form 10-Q filed June 13, 1997.
3.6	Bylaws of Ferrellgas Partners Finance Corp. Incorporated by reference to the same numbered Exhibit to our Quarterly Report on Form 10-Q filed June 13, 1997.
3.7	Third Amended and Restated Agreement of Limited Partnership of Ferrellgas, L.P., dated as of April 7, 2004. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed April 22, 2004.
3.8	Certificate of Incorporation of Ferrellgas Finance Corp. Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Ferrellgas Partners, L.P. filed February 18, 2003.
3.9	Bylaws of Ferrellgas Finance Corp. Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Ferrellgas Partners, L.P. filed February 18, 2003.
4.1	Specimen Certificate evidencing Common Units representing Limited Partner Interests (contained in Exhibit 3.1 hereto as Exhibit A thereto).

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Exhibit Number	Description
4.2	Indenture dated as of September 24, 2002, with form of Note attached, among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., and U.S. Bank National Association, as trustee, relating to 8 3/4% Senior Notes due 2012. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed September 24, 2002.
4.3	Indenture dated as of April 20, 2004, with form of Note attached, among Ferrellgas Escrow LLC and Ferrellgas Finance Escrow Corporation and U.S. Bank National Association, as trustee, relating to 6 3/4% Senior Notes due 2014. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed April 22, 2004.
4.4	Ferrellgas, L.P. Note Purchase Agreement, dated as of July 1, 1998, relating to: \$109,000,000 6.99% Senior Notes, Series A, due August 1, 2005, \$37,000,000 7.08% Senior Notes, Series B, due August 1, 2006, \$52,000,000 7.12% Senior Notes, Series C, due August 1, 2008, \$82,000,000 7.24% Senior Notes, Series D, due August 1, 2010, and \$70,000,000 7.42% Senior Notes, Series E, due August 1, 2013. Incorporated by reference to Exhibit 4.4 to our Annual Report on Form 10-K filed October 29, 1998.
4.5	Ferrellgas, L.P. Note Purchase Agreement, dated as of February 28, 2000, relating to: \$21,000,000 8.68% Senior Notes, Series A, due August 1, 2006, \$90,000,000 8.78% Senior Notes, Series B, due August 1, 2007, and \$73,000,000 8.87% Senior Notes, Series C, due August 1, 2009. Incorporated by reference to Exhibit 4.2 to our Quarterly Report on Form 10-Q filed March 16, 2000.
4.6	Registration Rights Agreement dated as of December 17, 1999, by and between Ferrellgas Partners, L.P. and Williams Natural Gas Liquids, Inc. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed December 29, 2000.
4.7	First Amendment to the Registration Rights Agreement dated as of March 14, 2000, by and between Ferrellgas Partners, L.P. and Williams Natural Gas Liquids, Inc. Incorporated by reference to Exhibit 4.1 to our Quarterly Report on Form 10-Q filed March 16, 2000.
4.8	Second Amendment to the Registration Rights Agreement dated as of April 6, 2001, by and between Ferrellgas Partners, L.P. and The Williams Companies, Inc. Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed April 6, 2001.
4.9	Third Amendment to the Registration Rights Agreement dated as of June 29, 2005, between JEF Capital Management, Inc. and Ferrellgas Partners, L.P. Incorporated by reference to Exhibit 10.1 to our Current Report of Form 8-K filed June 30, 2005.

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Exhibit Number	Description
10.1	Fifth Amended and Restated Credit Agreement dated as of April 22, 2005, by and among Ferrellgas, L.P. as the borrower, Ferrellgas, Inc. as the general partner of the borrower, Bank of America N.A., as administrative agent and swing line lender, and the lenders and L/C issuers party hereto. Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed June 8, 2005.
10.2	Lender Addendum dated as of June 6, 2006, by and among Deutsche Bank Trust Company Americas as the new lender, Ferrellgas, L.P. as the borrower, Ferrellgas, Inc. and Bank of America, N.A., as Administrative Agent. Incorporated by reference to Exhibit 10.2 to our Annual Report on Form 10-K filed October 12, 2006.
10.3	Commitment Increase Agreement dated as of August 28, 2006, by and among Fifth Third Bank as the lender, Ferrellgas, L.P. as the borrower, Ferrellgas, Inc. and Bank of America, N.A. as Administrative Agent. Incorporated by reference to Exhibit 10.3 to our Annual Report on Form 10-K filed October 12, 2006.
10.4	Amended and Restated Receivable Interest Sale Agreement dated June 7, 2005 between Ferrellgas, L.P., as originator, and Ferrellgas Receivables, L.L.C., as buyer. Incorporated by reference to Exhibit 10.9 to our Quarterly Report on Form 10-Q filed June 8, 2005.
10.5	Amendment No. 1 to the Amended and Restated Receivable Interest Sale Agreement and Subordinated Note dated June 6, 2006 between Ferrellgas, L.P., as originator, and Ferrellgas Receivables, LLC, as buyer. Incorporated by reference to Exhibit 10.11 to our Quarterly Report on Form 10-Q filed on June 8, 2006.
10.6	Amendment No. 2 to the Amended and Restated Receivable Interest Sale Agreement dated June 6, 2006 between Ferrellgas, L.P., as originator, and Ferrellgas Receivables, LLC, as buyer. Incorporated by reference to Exhibit 10.6 to our Annual Report on Form 10-K filed October 12, 2006.
10.7	Second Amended and Restated Receivables Purchase Agreement dated as of June 6, 2006, by and among Ferrellgas Receivables, L.L.C., as seller, Ferrellgas, L.P., as servicer, Jupiter Securitization Corporation, the financial institutions from time to time party hereto, Fifth Third Bank and JPMorgan Chase Bank, NA, as agent. Incorporated by reference to Exhibit 10.19 to our Quarterly Report on Form 10-Q filed June 8, 2006.
10.8	Amendment No. 1 to Second Amended and Restated Receivables Purchase Agreement dated August 18, 2006, by and among Ferrellgas Receivables, LLC, as seller, Ferrellgas, L.P., as servicer, Jupiter Securitization Corporation, the financial institutions from time to time party hereto, Fifth Third Bank and JPMorgan Chase Bank, NA, as agent. Incorporated by reference to Exhibit 99.2 to our Current Report on Form 8-K filed August 18, 2006.
10.9	Agreement and Plan of Merger dated as of February 8, 2004, by and among Blue Rhino Corporation, FCI Trading Corp., Diesel Acquisition, LLC and Ferrell Companies, Inc. Incorporated by reference to Exhibit 99.2 to our Current Report on Form 8-K filed February 13, 2004.

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Exhibit Number	Description
10.10	First amendment to the Agreement and Plan of Merger dated as of March 16, 2004, by and among Blue Rhino Corporation, FCI Trading Corp., Diesel Acquisition, LLC, and Ferrell Companies, Inc. Incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed April 2, 2004.
10.11	Asset Purchase Agreement dated as of June 22, 2005 by and among Ferrellgas, L.P., Ferrellgas, Inc. and Enterprise Products Operating L.P. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on June 23, 2005.
10.12	Real Property Contribution Agreement dated February 8, 2004, between Ferrellgas Partners, L.P. and Billy D. Prim. Incorporated by reference to Exhibit 10.15 to our Quarterly Report on Form 10-Q filed June 14, 2004.
10.13	Unit Purchase Agreement dated February 8, 2004, between Ferrellgas Partners, L.P. and Billy D. Prim. Incorporated by reference to Exhibit 4.5 to our Form S-3 filed May 21, 2004.
10.14	Unit Purchase Agreement dated February 8, 2004, between Ferrellgas Partners, L.P. and James E. Ferrell. Incorporated by reference to Exhibit 99.3 to our Current Report on Form 8-K filed February 12, 2004.
# 10.15	Ferrell Companies, Inc. Supplemental Savings Plan, restated January 1, 2000. Incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed February 18, 2003.
# 10.16	Second Amended and Restated Ferrellgas Unit Option Plan. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed June 5, 2001.
# 10.17	Ferrell Companies, Inc. 1998 Incentive Compensation Plan, as amended and restated effective October 11, 2004. Incorporated by reference to Exhibit 10.23 to our Annual Report on Form 10-K filed October 13, 2004.
# 10.18	Employment agreement between James E. Ferrell and Ferrellgas, Inc., dated July 31, 1998. Incorporated by reference to Exhibit 10.13 to our Annual Report on Form 10-K filed October 29, 1998.
# 10.19	Amended and Restated Employment Agreement dated October 11, 2004, by and among Ferrellgas, Inc., Ferrell Companies, Inc. and Billy D. Prim. Incorporated by reference to Exhibit 10.25 to our Annual Report on Form 10-K filed October 13, 2004.
# 10.20	Separation Agreement and Release dated March 9, 2006 between Timothy E. Scronce and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.28 to our Quarterly Report on Form 10-Q filed March 10, 2006.
# 10.21	Agreement and Release dated as of May 11, 2006 by and among Jeffrey B. Ward, Ferrellgas, Inc., Ferrell Companies, Inc., Ferrellgas Partners, L.P. and Ferrellgas, L.P. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed June 22, 2006.

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	Exhibit Number	Description
#	10.22	Agreement and Release dated as of August 15, 2006 by and among Kenneth A. Heinz, Ferrellgas, Inc., Ferrell Companies, Inc., Ferrellgas Partners, L.P. and Ferrellgas, L.P. Incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed August 18, 2006.
#	10.23	Change In Control Agreement dated as of October 9, 2006 by and between Stephen L. Wambold and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.23 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.24	Change In Control Agreement dated as of October 9, 2006 by and between Eugene D. Caresia and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.24 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.25	Change In Control Agreement dated as of October 9, 2006 by and between M. Kevin Dobbins and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.25 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.26	Change In Control Agreement dated as of October 9, 2006 by and between Kevin T. Kelly and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.26 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.27	Change In Control Agreement dated as of October 9, 2006 by and between Brian J. Kline and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.27 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.28	Change In Control Agreement dated as of October 9, 2006 by and between George L. Koloroutis and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.28 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.29	Change In Control Agreement dated as of October 9, 2006 by and between Patrick J. Walsh and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.29 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.30	Change In Control Agreement dated as of October 9, 2006 by and between James E. Ferrell and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.31	Change In Control Agreement dated as of October 9, 2006 by and between Tod D. Brown and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.31 to our Annual Report on Form 10-K filed October 12, 2006.
*	31.1	Certification of Ferrellgas Partners, L.P. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.

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	Exhibit Number	Description
*	31.2	Certification of Ferrellgas Partners Finance Corp. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
*	31.3	Certification of Ferrellgas, L.P. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
*	31.4	Certification of Ferrellgas Finance Corp. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
*	32.1	Certification of Ferrellgas Partners, L.P. pursuant to 18 U.S.C. Section 1350.
*	32.2	Certification of Ferrellgas Partners Finance Corp. pursuant to 18 U.S.C. Section 1350.
*	32.3	Certification of Ferrellgas, L.P. pursuant to 18 U.S.C. Section 1350.
*	32.4	Certification of Ferrellgas Finance Corp. pursuant to 18 U.S.C. Section 1350.
*	Filed herewith	
#	Management contracts or compensatory plans.	

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SIGNATURES

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

FERRELLGAS PARTNERS, L.P.

By Ferrellgas, Inc. (General Partner)

Date: December 7, 2006

By

/s/ Kevin T. Kelly

Kevin T. Kelly
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

FERRELLGAS PARTNERS FINANCE CORP.

Date: December 7, 2006

By

/s/ Kevin T. Kelly

Kevin T. Kelly
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

FERRELLGAS, L.P.

By Ferrellgas, Inc. (General Partner)

Date: December 7, 2006

By

/s/ Kevin T. Kelly

Kevin T. Kelly
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

FERRELLGAS FINANCE CORP.

Date: December 7, 2006

By

/s/ Kevin T. Kelly

Kevin T. Kelly
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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10.2	Lender Addendum dated as of June 6, 2006, by and among Deutsche Bank Trust Company Americas as the new lender, Ferrellgas, L.P. as the borrower, Ferrellgas, Inc. and Bank of America, N.A., as Administrative Agent. Incorporated by reference to Exhibit 10.2 to our Annual Report on Form 10-K filed October 12, 2006.
10.3	Commitment Increase Agreement dated as of August 28, 2006, by and among Fifth Third Bank as the lender, Ferrellgas, L.P. as the borrower, Ferrellgas, Inc. and Bank of America, N.A. as Administrative Agent. Incorporated by reference to Exhibit 10.3 to our Annual Report on Form 10-K filed October 12, 2006.
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Exhibit Number	Description
10.10	First amendment to the Agreement and Plan of Merger dated as of March 16, 2004, by and among Blue Rhino Corporation, FCI Trading Corp., Diesel Acquisition, LLC, and Ferrell Companies, Inc. Incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed April 2, 2004.
10.11	Asset Purchase Agreement dated as of June 22, 2005 by and among Ferrellgas, L.P., Ferrellgas, Inc. and Enterprise Products Operating L.P. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on June 23, 2005.
10.12	Real Property Contribution Agreement dated February 8, 2004, between Ferrellgas Partners, L.P. and Billy D. Prim. Incorporated by reference to Exhibit 10.15 to our Quarterly Report on Form 10-Q filed June 14, 2004.
10.13	Unit Purchase Agreement dated February 8, 2004, between Ferrellgas Partners, L.P. and Billy D. Prim. Incorporated by reference to Exhibit 4.5 to our Form S-3 filed May 21, 2004.
10.14	Unit Purchase Agreement dated February 8, 2004, between Ferrellgas Partners, L.P. and James E. Ferrell. Incorporated by reference to Exhibit 99.3 to our Current Report on Form 8-K filed February 12, 2004.
# 10.15	Ferrell Companies, Inc. Supplemental Savings Plan, restated January 1, 2000. Incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed February 18, 2003.
# 10.16	Second Amended and Restated Ferrellgas Unit Option Plan. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed June 5, 2001.
# 10.17	Ferrell Companies, Inc. 1998 Incentive Compensation Plan, as amended and restated effective October 11, 2004. Incorporated by reference to Exhibit 10.23 to our Annual Report on Form 10-K filed October 13, 2004.
# 10.18	Employment agreement between James E. Ferrell and Ferrellgas, Inc., dated July 31, 1998. Incorporated by reference to Exhibit 10.13 to our Annual Report on Form 10-K filed October 29, 1998.
# 10.19	Amended and Restated Employment Agreement dated October 11, 2004, by and among Ferrellgas, Inc., Ferrell Companies, Inc. and Billy D. Prim. Incorporated by reference to Exhibit 10.25 to our Annual Report on Form 10-K filed October 13, 2004.
# 10.20	Separation Agreement and Release dated March 9, 2006 between Timothy E. Scronce and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.28 to our Quarterly Report on Form 10-Q filed March 10, 2006.
# 10.21	Agreement and Release dated as of May 11, 2006 by and among Jeffrey B. Ward, Ferrellgas, Inc., Ferrell Companies, Inc., Ferrellgas Partners, L.P. and Ferrellgas, L.P. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed June 22, 2006.

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	Exhibit Number	Description
#	10.22	Agreement and Release dated as of August 15, 2006 by and among Kenneth A. Heinz, Ferrellgas, Inc., Ferrell Companies, Inc., Ferrellgas Partners, L.P. and Ferrellgas, L.P. Incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed August 18, 2006.
#	10.23	Change In Control Agreement dated as of October 9, 2006 by and between Stephen L. Wambold and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.23 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.24	Change In Control Agreement dated as of October 9, 2006 by and between Eugene D. Caresia and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.24 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.25	Change In Control Agreement dated as of October 9, 2006 by and between M. Kevin Dobbins and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.25 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.26	Change In Control Agreement dated as of October 9, 2006 by and between Kevin T. Kelly and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.26 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.27	Change In Control Agreement dated as of October 9, 2006 by and between Brian J. Kline and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.27 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.28	Change In Control Agreement dated as of October 9, 2006 by and between George L. Koloroutis and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.28 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.29	Change In Control Agreement dated as of October 9, 2006 by and between Patrick J. Walsh and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.29 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.30	Change In Control Agreement dated as of October 9, 2006 by and between James E. Ferrell and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K filed October 12, 2006.
#	10.31	Change In Control Agreement dated as of October 9, 2006 by and between Tod D. Brown and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.31 to our Annual Report on Form 10-K filed October 12, 2006.
*	31.1	Certification of Ferrellgas Partners, L.P. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.

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	Exhibit Number	Description
*	31.2	Certification of Ferrellgas Partners Finance Corp. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
*	31.3	Certification of Ferrellgas, L.P. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
*	31.4	Certification of Ferrellgas Finance Corp. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
*	32.1	Certification of Ferrellgas Partners, L.P. pursuant to 18 U.S.C. Section 1350.
*	32.2	Certification of Ferrellgas Partners Finance Corp. pursuant to 18 U.S.C. Section 1350.
*	32.3	Certification of Ferrellgas, L.P. pursuant to 18 U.S.C. Section 1350.
*	32.4	Certification of Ferrellgas Finance Corp. pursuant to 18 U.S.C. Section 1350.
*	Filed herewith	
#	Management contracts or compensatory plans.	