INERGY L P
Form 424B3
March 23, 2009
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The information is this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(3)
Registration No. 333-132287

SUBJECT TO COMPLETION, DATED MARCH 23, 2009

PROSPECTUS SUPPLEMENT

(To the Prospectus Dated March 8, 2006)

4,000,000 Common Units

Representing Limited Partner Interests

We are selling 4,000,000 common units of Inergy, L.P. Our common units trade on the Nasdaq Global Select Market under the symbol NRGY. The last reported sales price of our common units on the Nasdaq Global Select Market on March 20, 2009 was $22.98 per common unit.

Investing in our common units involves risks. Please read Risk Factors beginning on page S-8 of this prospectus supplement and on page 5 of the accompanying prospectus.

	Per Common Unit	Total
Public Offering Price	$	$
Underwriting Discounts	$	$
Proceeds, Before Expenses, to Inergy, L.P.	$	$

The underwriters expect to deliver the common units on or about , 2009.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We have granted the underwriters a 30-day option to purchase up to an additional 600,000 common units from us on the same terms and conditions as set forth above if the underwriters sell more than 4,000,000 common units in this offering.

Joint Book-Running Managers

Wachovia Securities **Barclays Capital** **Citi** **UBS Investment Bank**

Co-Managers

Credit Suisse **Raymond James**

The date of this prospectus supplement is March , 2009.

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Prospectus Supplement

Prospectus dated March 8, 2006

Important Notice About Information in This

Prospectus Supplement and the Accompanying Prospectus

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering of common units. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common units.

If the information relating to the offering varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus or any free writing prospectus prepared by or on behalf of us. We have not authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are offering to sell the common units and seeking offers to buy the common units only in jurisdictions where offers and sales are permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of those documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

The information in this prospectus supplement is not complete. You should review carefully all of the detailed information appearing in this prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference before making any investment decision.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information you should consider before making an investment decision. You should read the entire prospectus supplement, the accompanying prospectus, the documents incorporated herein by reference and the other documents to which we refer for a more complete understanding of this offering of common units. Please read the sections entitled Risk Factors on page S-8 of this prospectus supplement and page 5 of the accompanying prospectus for more information about important factors that you should consider before buying our common units in this offering. Unless we indicate otherwise, the information we present in this prospectus supplement assumes that the underwriters do not exercise their option to purchase additional common units. Throughout this prospectus supplement, when we use the terms we, us, our, or Inergy, L.P., we are referring to Inergy, L.P. or to Inergy, L.P. and its subsidiaries collectively as the context requires.

INERGY, L.P.

Overview

We are a publicly traded Delaware limited partnership that owns and operates a geographically diverse retail and wholesale propane supply, marketing and distribution business. In addition to our propane operations, we also operate a growing midstream business that includes two natural gas storage facilities (Stagecoach and Steuben), a liquefied petroleum gas (LPG) storage facility located near Bath, New York, a natural gas liquids (NGL) business located near Bakersfield, California and a solution-mining and salt production company (US Salt).

We believe we are the fifth largest propane retailer in the United States, excluding cooperatives, based on retail propane gallons sold. Our propane business includes the retail marketing, sale and distribution of propane, including the sale and lease of propane supplies and equipment, to residential, commercial, industrial and agricultural customers. We currently market our propane products under various regional brand names and serve approximately 700,000 retail customers in 28 states from 313 customer service centers, which have an aggregate of approximately 30.7 million gallons of above-ground propane storage. For the fiscal year ended September 30, 2008, we sold and physically delivered approximately 331.9 million gallons of propane to our retail customers and approximately 358.5 million gallons of propane to our wholesale customers.

We have primarily grown through acquisitions of retail propane operations and to a lesser extent through organic expansion projects. Since our predecessor s inception in November 1996 through February 28, 2009, we have acquired 81 businesses, including two natural gas storage facilities, an LPG salt cavern storage facility, a primarily fee-based natural gas processing and liquids business and a solution-mining and salt production company.

Our business is currently comprised of two reportable segments consisting of our propane and midstream operations.

Propane Operations. We market propane primarily in rural areas, but also have a significant number of customers in suburban areas where energy alternatives to propane, such as natural gas, are generally not available. We make customer deliveries to residential, industrial and commercial and agricultural customers. From our customer service centers, we also sell, install and service equipment related to our propane distribution business, including heating and cooking appliances. Approximately 90% of our retail propane customers lease their tanks from us.

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In addition to our retail propane business, we operate a wholesale supply, marketing and distribution business through which we provide propane procurement, transportation and supply and price risk management services to our customer service centers, as well as to independent dealers, multistate marketers, petrochemical companies, refineries and gas processors and a number of other natural gas liquids marketing and distribution companies in 40 states, primarily in the Midwest, Northeast and South.

Midstream Operations. We own and operate a midstream business, which includes the following assets:

a high performance, multi-cycle natural gas storage facility located approximately 150 miles northwest of New York City, with approximately 26.25 Bcf of working gas capacity, a maximum withdrawal capability of 500 MMcf/d and a maximum injection capability of 250 MMcf/d (the Stagecoach Facility). The Stagecoach Facility, which is regulated by the Federal Energy Regulatory Commission (FERC), is fee-based with a market-based rate structure and is currently 100% committed primarily with investment-grade rated companies under term contracts that have a weighted average maturity extending to September 2014. The Stagecoach Facility is among the closest natural gas storage facilities to the northeastern United States market and is a significant participant in the northeast United States natural gas distribution system. We also own a 24-mile pipeline that connects the Stagecoach Facility to Tennessee Gas Pipeline Company s 300-Line. In addition, we own a 10-mile long pipeline that connects the Stagecoach Facility to the newly constructed Millennium Pipeline. The pipeline interconnect to the Millennium Pipeline enhances and further diversifies our supply sources and provides interruptible wheeling opportunities to our shipper community;

100% of the membership interests in Arlington Storage Company, LLC (ASC). ASC is the majority owner and operator of Steuben Gas Storage Company, which owns a FERC-regulated 6.2 Bcf natural gas storage facility in Steuben County, New York. Steuben Gas Storage is connected to Dominion Gas Transmission s Woodhull Pipeline. ASC also owns the development rights to the Thomas Corners storage project, also located in Steuben County, which has the potential to add an additional approximate 7 Bcf of working gas storage capacity. On December 18, 2008, ASC was granted its Section 7(c) Application for a Certificate of Public Convenience and Necessity by the FERC for the construction and operation of the Thomas Corners natural gas storage facility;

a 1.5 million barrel salt cavern LPG storage facility, acquired in October 2006, located near Bath, New York (the Bath LPG Storage Facility), approximately 210 miles northwest of New York City and 60 miles from the Stagecoach Facility. The Bath LPG Storage Facility is supported by both rail and truck terminal facilities capable of loading and unloading 19-22 rail cars per day and 15 truck transports per day;

US Salt, an industry-leading solution mining and salt production company located in Schuyler County, New York, between our Stagecoach and Steuben natural gas storage facilities. US Salt produces and sells over 300,000 tons of salt each year. The solution mining process used by US Salt creates salt caverns that we believe can be developed into useable natural gas storage capacity; and

an NGL business in Bakersfield, California, acquired in 2003, which includes a 25.0 MMcf/d natural gas processing plant, a 10,000 bpd NGL fractionation plant, including NGL rail and truck terminals, an approximate 6.0 million gallon NGL storage facility and trucking and marketing operations.

Business Strategy

Our primary objective is to increase distributable cash flow for our unitholders, while maintaining the highest level of commitment and service to our customers. We have engaged and will continue to engage in objectives of further growth through acquisitions both in our propane and midstream operations, internally generated expansion, and measures aimed at increasing the profitability of existing operations.

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Competitive and Business Strengths

We intend to pursue our objectives by capitalizing on our competitive and business strengths as follows:

Competitive Strengths

Proven acquisition expertise. Since our predecessor s inception and through February 28, 2009, we have acquired and successfully integrated 81 businesses. Our executive officers and key employees, who together average more than 15 years experience in the propane and midstream energy-related industries, have developed business relationships with retail propane owners and businesses as well as other midstream industry participants throughout the United States. These significant industry contacts have enabled us to negotiate most of our acquisitions on an exclusive basis. We believe that this acquisition expertise should allow us to continue to grow through strategic and accretive acquisitions. Our acquisition program will continue to seek:

- businesses that generate distributable cash flow that is accretive to common unitholders on a per unit basis;
- propane and midstream businesses in attractive market areas;
- propane businesses with established names with reputations for customer service and reliability;
- propane businesses with high concentration of propane sales to residential customers;
- midstream businesses that generate predictable, stable fee-based cash flow streams;
- midstream businesses with organic growth opportunities or strategic regional enhancement; and
- retention of key employees in acquired businesses.

Management experience. Our senior management team has extensive experience in the propane and midstream energy industry. Our management team has a proven track record of enhancing the value of our partnership, through the acquisition, integration and optimization of the businesses we own and operate.

Flexible financial structure. We have a $350.0 million revolving credit facility for acquisitions and a $75.0 million revolving working capital facility. These facilities include a provision which allows us to utilize up to $200.0 million of combined borrowing capacity for working capital as needed during the winter heating season. We believe our available capacity under these facilities combined with our ability to fund acquisitions through the issuance of additional partnership interests will provide us with a flexible financial structure that will facilitate our acquisition strategy.

Propane Business Strengths

High percentage of retail sales to residential customers. Our retail propane operations concentrate on sales to residential customers. Residential customers tend to generate higher margins and are generally more stable purchasers than other customers. For the fiscal year ended September 30, 2008, sales to residential customers represented approximately 70% of our retail propane gallons sold. Although overall demand for propane is affected by weather and other factors, we believe that residential propane consumption is not materially affected by general economic conditions because most residential customers consider home space heating to be an essential purchase. In addition, we own nearly 90% of the propane tanks located at our customers homes. In many states, fire safety regulations restrict the refilling of a leased tank solely to the propane supplier that owns the tank. These regulations, which require customers to switch propane tanks when they switch suppliers, help enhance the stability of our customer base because of the inconvenience and costs involved with switching tanks and suppliers.

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Regionally branded operating structure. We believe that our success in maintaining customer stability and our low cost operating structure at our customer service centers results from our decentralized operation under established, locally recognized trade names. We attempt to capitalize on the reputation of the companies we acquire by retaining their local brand names and employees, thereby preserving the goodwill of the acquired business and fostering employee loyalty and customer retention. We expect our local branch management to continue to manage the marketing programs, new business development, customer service and customer billing and collections. We believe that our employee incentive programs encourage efficiency and allow us to control costs at the corporate and field levels.

Operations in attractive propane markets. A majority of our propane operations are concentrated in attractive propane market areas, where natural gas distribution is not cost effective, margins are relatively stable, and tank control is relatively high. We intend to pursue acquisitions in similar attractive markets.

Comprehensive propane logistics and distribution business. One of our distinguishing strengths is our propane procurement and distribution expertise and capabilities. For the fiscal year ended September 30, 2008, we delivered approximately 358.5 million gallons of propane on a wholesale basis to our various customers. These operations are significantly larger on a relative basis than the wholesale operations of most publicly traded propane businesses. We also provide transportation services to these distributors through our fleet of transport vehicles, and price risk management services to our customers through a variety of financial and other instruments. The presence of our trucks serving our wholesale customers allows us to take advantage of various pricing and distribution inefficiencies that exist in the market from time to time. We believe our wholesale business enables us to obtain valuable market intelligence and awareness of potential acquisition opportunities. Because we sell on a wholesale basis to many residential and commercial retailers, we have an ongoing relationship with a large number of businesses that may be attractive acquisition opportunities for us. We believe that we will have an adequate supply of propane to support our growing retail operations at prices that are generally available only to large wholesale purchasers. This purchasing scale and resulting expertise also helps us avoid shortages during periods of tight supply to an extent not generally available to other retail propane distributors.

Midstream Business Strengths

Strategically located assets. Our assets are situated close to or within demand based market areas, which positions us well to leverage the services we offer to our customers relative to our competitors. We own and operate natural gas storage operations approximately 150 miles northwest of New York City. These assets are among the closest natural gas storage facilities to the New York City market and have the capability of delivering natural gas to this market as well as other Northeast and Mid-Atlantic market centers. We also own a 1.6 million barrel LPG storage facility located near Bath, New York, which is located approximately 210 miles northwest of New York City and approximately 60 miles from our Stagecoach facility. In addition, we own and operate US Salt, a solution-mining and salt production company located in Schuyler County, New York, between the Stagecoach and Steuben natural gas storage facilities, which we believe may add additional natural gas storage capacity to our operations in the Northeast. We also own and operate an NGL operation in Bakersfield, California, strategically situated between the major refining centers of Los Angeles and San Francisco. We believe there are opportunities to further leverage our geographic location, expand our current asset base and to enhance the platform of services we offer to our customers that will further enhance the value and profitability of these assets.

Ability to leverage industry relationships. Our management team has extensive industry relationships, and they have been successful in leveraging these relationships with both new and existing customers of our midstream operations into profitable opportunities to further grow our operations.

Stable cash flows. Our midstream operations consist predominantly of fee-based services that generate stable cash flows. Our Stagecoach Facility operations are 100% fee-based with a weighted average contract maturity that extends to September 2014. These contracts are with investment-grade rated customers such as large east coast utilities and major gas marketing firms. In addition, our West Coast NGL operations are also primarily fee-based and have little exposure to fluctuations in commodity prices. We believe that this further adds to our stable cash flow and enhances our access to the capital markets.

Recent Developments

First Quarter Results. On February 4, 2009, we reported our results of operations for the quarter ended December 31, 2008. Our net income was $57.2 million for the quarter ended December 31, 2008, an increase of approximately $20.3 million compared to net income of $36.9 million for the quarter ended December 31, 2007. Our net income per limited partner unit was $0.91 for the quarter ended December 31, 2008, compared to $0.57 per limited partner unit for the quarter ended December 31, 2007.

Notes Offering. On February 2, 2009, we completed a private placement of $225 million aggregate principal amount of our 8 3/4% Senior Notes due 2015. We used the net proceeds of approximately $197.7 million from that offering to repay amounts outstanding under our revolving acquisition credit facility.

Partnership Structure and Management

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. We own our interests in our subsidiaries through our 100% ownership interest in our operating companies, Inergy Propane, LLC and Inergy Midstream, LLC. Inergy GP, LLC, our managing general partner, has sole responsibility for conducting our business and managing our operations. Our managing general partner has no economic interest in our partnership and does not receive a management fee, but it is reimbursed for expenses incurred on our behalf. Inergy Partners, LLC, our non-managing general partner, has only an economic interest in us and has no operational or managerial responsibilities under our partnership agreement. Inergy Holdings, L.P. (Inergy Holdings) is the sole member of our managing general partner and the sole member of our non-managing general partner, and Inergy Holdings owns all of our incentive distribution rights and, through subsidiaries, approximately 9.1% of our outstanding common units.

The chart on the following page depicts our abridged organizational and ownership structure after giving effect to this offering, assuming no exercise of the underwriters option to purchase additional common units.

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Ownership of Inergy, L.P. After the Offering

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The Offering

Common units offered by Inergy, L.P.	4,000,000 common units; 4,600,000 common units if the underwriters exercise in full their option to purchase additional common units.
Common units outstanding after this offering	55,264,123 common units if the underwriters do not exercise their option to purchase an additional 600,000 common units and 55,864,123 common units if the underwriters exercise in full their option to purchase an additional 600,000 common units.
Use of proceeds	We will use the net proceeds from this offering (and the net proceeds from any exercise of the underwriters option to purchase additional common units) to repay outstanding indebtedness under our revolving working capital credit facility and our revolving acquisition credit facility. Please read Use of Proceeds.
	Affiliates of Wachovia Capital Markets, LLC (including Wachovia Bank, National Association and Wells Fargo Bank, NA) and Raymond James & Associates, Inc. are lenders under our revolving working capital facility and our revolving acquisition credit facility and will receive a portion of the proceeds from this offering through repayment of indebtedness under the credit facilities. Please read Underwriting.
Cash distributions	Under our partnership agreement, we must distribute all of our cash on hand at the end of each quarter, less reserves established by our managing general partner in its discretion. We refer to this cash as available cash, and we define its meaning in our partnership agreement.
	On February 13, 2009, we paid a quarterly cash distribution for the quarter ended December 31, 2008 of $0.645 per common unit, or $2.58 on an annualized basis.
	If cash distributions exceed $0.33 per unit in any quarter, Inergy Holdings, the sole member of our managing general partner, will receive increasing percentages, up to 48%, of the cash we distribute in excess of that amount. We refer to Inergy Holdings right to receive these higher amounts of cash as incentive distribution rights. Because our quarterly cash distributions currently exceed $0.33 per unit, Inergy Holdings is currently receiving its incentive distribution rights.
Estimated ratio of taxable income to distributions	We estimate that if you own the common units you purchase in this offering through the record date for the distribution for the fourth calendar quarter of 2011, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less than 20% of the cash distributed to you with respect to that period. Please read Tax Considerations in this prospectus supplement for the basis of this estimate.
Exchange listing	Our common units trade on the Nasdaq Global Select Market under the symbol NRGY.

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RISK FACTORS

An investment in our common units involves risk. You should carefully read the risk factors included under the caption Risk Factors beginning on page 5 of the accompanying prospectus, as well as the risk factors included in Item 1A. Risk Factors in our annual report on Form 10-K for the fiscal year ended September 30, 2008, together with all of the other information included or incorporated by reference in this prospectus supplement. If any of these risks were to occur, our business, financial condition, results of operations or prospects could be materially adversely affected. In such case, the trading price of our common units could decline, and you could lose all or part of your investment.

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USE OF PROCEEDS

We expect to receive net proceeds of approximately $ million from the sale of 4,000,000 common units offered by this prospectus supplement, after deducting underwriting discounts and estimated offering expenses payable by us. If the underwriters exercise their option to purchase 600,000 additional common units in full, we expect to receive additional net proceeds of approximately $ million. We will use the net proceeds from this offering (and the net proceeds from any exercise of the underwriters option to purchase additional common units) to repay outstanding indebtedness under our revolving working capital credit facility and our revolving acquisition credit facility.

Amounts repaid under our revolving credit facilities may be reborrowed from time to time for acquisitions, growth capital expenditures, working capital needs and other general partnership purposes. At March 20, 2009, debt incurred under our revolving credit facilities was approximately $115.3 million and was used primarily to finance acquisitions and capital expenditures made in connection with our internal growth projects related to our midstream assets and for working capital requirements. As of March 20, 2009, interest on borrowings under our revolving credit facilities had a weighted average interest rate of approximately 2.31%. The revolving credit facilities mature on November 10, 2010.

Affiliates of Wachovia Capital Markets, LLC (including Wachovia Bank, National Association and Wells Fargo Bank, NA) and Raymond James & Associates, Inc. are lenders under our revolving working capital facility and our revolving acquisition credit facility and will receive a portion of the proceeds from this offering through repayment of indebtedness under the credit facilities. Please read Underwriting.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of December 31, 2008:

- on a consolidated historical basis;
- as adjusted to give effect to Inergy, L.P. s and Inergy Finance Corp. s recent private placement of $225 million aggregate principal amount of 8 3/4% Senior Notes due 2015 and the application of the net proceeds therefrom; and
- as further adjusted to reflect the sale of common units in this offering and the application of the net proceeds therefrom as described in Use of Proceeds.

You should read our financial statements and the notes thereto that are incorporated by reference into this prospectus supplement for additional information regarding us.

	As of December 31, 2008		
	Actual	As Adjusted for Notes Offering	As Further Adjusted for This Offering
	($ in millions)		
Cash	$ 18.9	$ 18.9	$ 18.9
Long-Term Debt:			
Revolving working capital credit facility	$ 116.0	$ 116.0	$
Revolving acquisition credit facility	212.0	14.3(a)	
6 7/8% senior unsecured notes due 2014	425.0	425.0	425.0
8 1/4% senior unsecured notes due 2016	400.0	400.0	400.0
8 3/4% senior unsecured notes due 2015		202.9(b)	202.9
Fair value adjustment on senior unsecured notes	8.3	8.3	8.3
Bond premium	3.7	3.7	3.7
ASC credit agreement	10.1	10.1	10.1
Other debt	19.8	19.8	19.8
Total Long-Term Debt	$ 1,194.9	$ 1,200.1	$
Total Partners Capital	620.6	620.6	
Total Capitalization	$ 1,815.5	$ 1,820.7	$

(a) Reflects the repayment of borrowings under our revolving acquisition credit facility subsequent to December 31, 2008 of approximately $197.7 million using the net proceeds from Inergy, L.P. s and Inergy Finance Corp. s recent issuance of $225 million aggregate principal amount of 8 3/4% Senior Notes due 2015 at a price of 90.191% of face value.

(b) The $202.9 million of senior unsecured notes are recorded at their face value, excluding the discount of $22.1 million to be accrued over the life of the notes.

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PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

As of March 20, 2009, we had 51,264,123 common units outstanding, held by approximately 33,000 holders of record. The common units are listed and traded on the Nasdaq Global Select Market under the symbol NRGY.

The following table sets forth, for the periods indicated, the high and low sales prices per common unit, as reported by the Nasdaq Global Select Market. Distributions are shown in the quarter for which they were paid. The last reported sales price of the common units on the Nasdaq Global Select Market on March 20, 2009 was $22.98 per common unit.

	Price Ranges		Cash Distributions Per Unit
	Low	**High**	
Fiscal 2009			
March 31, 2009(a)	$ 17.06	$ 25.23	$ N/A(b)
December 31, 2008	12.38	22.70	0.645
Fiscal 2008			
September 30, 2008	$ 20.00	$ 26.90	$ 0.635
June 30, 2008	25.62	29.49	0.625
March 31, 2008	25.39	31.94	0.615
December 31, 2007	29.69	35.10	0.605
Fiscal 2007:			
September 30, 2007	$ 28.53	$ 38.17	$ 0.595
June 30, 2007	32.44	38.09	0.585
March 31, 2007	28.01	32.99	0.575
December 31, 2006	26.63	30.49	0.565

(a) Through March 20, 2009.

(b) We expect to declare and pay a cash distribution for the second quarter of fiscal 2009 within 45 days following the end of the quarter.

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TAX CONSIDERATIONS

The tax consequences to you of an investment in our common units will depend in part on your own tax circumstances. For a discussion of the principal federal income tax considerations associated with our operations and the purchase, ownership and disposition of our common units, please read Material Tax Considerations beginning on page 38 in the accompanying prospectus. You are urged to consult with your own tax advisor about the federal, state, local and foreign tax consequences peculiar to your circumstances.

Partnership Tax Treatment

The anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other tax matter affecting us.

Despite the fact that we are a limited partnership under Delaware law, it is possible, in certain circumstances, for a partnership such as ours to be treated as a corporation for federal income tax purposes. If we were so treated, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to you would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common units.

Current law or our business may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. For example, we are subject to the Texas margin tax, imposed at a maximum effective rate of .7% of our gross income apportioned to Texas. Imposition of such a tax on us by Texas, or any other state, will reduce the cash available for distribution to you.

Our partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution amounts will be adjusted to reflect the impact of that law on us.

Ratio of Taxable Income to Distributions

We estimate that if you purchase common units in this offering and own them through the record date for the distribution for the fourth calendar quarter of 2011, then you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less than 20% of the cash distributed to you with respect to that period. These estimates are based upon the assumption that our available cash for distribution will be sufficient for us to make quarterly distributions of $0.645 per unit to the holders of our common units, and other assumptions with respect to capital expenditures, cash flow and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond our control. Further, the estimates are based on current tax law and certain tax reporting positions that we have adopted with which the Internal Revenue Service could disagree. Accordingly, we cannot assure you that the estimates will be correct. The actual percentage of distributions that will constitute taxable income could be higher or lower, and any differences could be material and could materially affect the value of the common units. For example, the percentage of distributions that will

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constitute taxable income to a purchaser of common units in this offering will be higher, and perhaps substantially higher, than our estimate with respect to the period described above if:

- gross income from operations exceeds the amount required to make minimum quarterly distributions on all units, yet we only distribute the minimum quarterly distributions on all units; or

- we make a future offering of common units and use the proceeds of the offering in a manner that does not produce substantial additional deductions during the period described above, such as to repay indebtedness outstanding at the time of this offering or to acquire property that is not eligible for deprecation or amortization for federal income tax purposes or that is depreciable or amortizable at a rate significantly slower than the rate applicable to our assets at the time of this offering.

Please read Material Tax Considerations in the accompanying prospectus.

Accuracy-Related Penalties

A substantial valuation misstatement exists if the value of any property, or the adjusted basis of any property, claimed on a tax return is 150% or more of the amount determined to be the correct amount of the valuation or adjusted basis. No penalty is imposed unless the portion of the underpayment attributable to a substantial valuation misstatement exceeds $5,000 ($10,000 for most corporations). If the valuation claimed on a return is 200% or more than the correct valuation, the penalty imposed increases to 40%. We do not anticipate making any valuation misstatements.

Tax-Exempt Organizations and Other Investors

Ownership of common units by tax-exempt entities, regulated investment companies and foreign investors raises issues unique to such persons. Please read Material Tax Considerations Tax-Exempt Organizations and Other Investors in the accompanying prospectus.

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UNDERWRITING

Wachovia Capital Markets, LLC, Barclays Capital Inc., Citigroup Global Markets Inc. and UBS Securities LLC are acting as joint book-running managers of the underwritten offering and representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the number of common units set forth opposite the underwriter s name.

Underwriter	Number of Common Units
Wachovia Capital Markets, LLC	
Barclays Capital Inc.	
Citigroup Global Markets Inc.	
UBS Securities LLC	
Credit Suisse Securities (USA) LLC	
Raymond James & Associates	
Total	4,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the common units included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all of the common units (other than those covered by the over-allotment option to purchase additional common units described below) if they purchase any of the common units.

Option to Purchase Additional Common Units

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 600,000 additional common units at the public offering price less the underwriting discount. To the extent the option is exercised, each underwriter must purchase a number of additional common units approximately proportionate to that underwriter s initial purchase commitment.

Underwriting Discount and Expenses

The underwriters propose to offer some of the common units directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the common units to dealers at the public offering price less a concession not to exceed $ per common unit. If all of the common units are not sold at the initial offering price, the underwriters may change the public offering price and the other selling terms.

The following table shows the underwriting discounts that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional common units.

	No Exercise	Full Exercise
Per Common Unit	$	$
Total	$	$

We estimate that our total expenses of this offering, excluding underwriting discounts, will be approximately $0.2 million.

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Lock-Up Agreements

We and the directors and executive officers of our managing general partner have entered into lock-up agreements with the underwriters. Under these agreements, subject to certain exceptions, we and each of these persons may not, without the prior written approval of the representatives, offer, sell, contract to sell or otherwise dispose of or hedge our common units or securities convertible into or exchangeable for our common units, enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common units, file or cause to be filed a registration statement with respect to the registration of any common units or securities convertible, exercisable or exchangeable into common units or any of our other securities or publicly disclose the intention to do any of the foregoing. These restrictions will be in effect for a period of 60 days after the date of this prospectus supplement. The restrictions described in this paragraph do not apply to issuances of common units pursuant to any existing employee benefit plans or issuances of common units directly to a seller of a business as part of the purchase price or a private placement, in each case in connection with acquisitions and capital improvements that our managing general partner determines will increase cash flow from operations on a per unit basis after giving effect to such issuance. The representatives, in their sole discretion, may release any of the common units subject to these lock-up agreements at any time without notice.

Inergy Holdings, L.P. and certain of its subsidiaries, including Inergy Partners, LLC, who collectively own 4,706,689 common units, are not subject to a lock-up agreement and are therefore not restricted by the underwriters from selling all or some of their common units during this period. However, 3,787,340 of these common units are subject to pledge agreements securing indebtedness of Inergy Holdings under its credit facilities and cannot be transferred without the consent of Inergy Holdings lenders.

Listing

Our common units are listed on the Nasdaq Global Select Market under the symbol NRGY.

Passive Market Making

In connection with the offering, the underwriters may engage in passive market making transactions in the common units on the Nasdaq Global Select Market in accordance with Rule 103 of Regulation M under the Securities Exchange Act of 1934 during the period before the commencement of offers or sales of common units and extending through the completion of distribution. A passive market maker must display its bids at a price not in excess of the highest independent bid of the security. However, if all independent bids are lowered below the passive market maker s bid that bid must be lowered when specified purchase limits are exceeded.

Price Stabilization, Short Positions and Penalty Bids

In connection with the offering, the representatives, on behalf of the underwriters, may purchase and sell common units in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common units in excess of the number of common units to be purchased by the underwriters in the offering, which creates a syndicate short position. Covered short sales are sales of common units made in an amount up to the number of common units represented by the underwriters over-allotment option. In determining the source of common units to close out the covered syndicate short position, the underwriters will consider, among other things, the price of common units available for purchase in the open market as compared to the price at which they may purchase units through the over-allotment option. Transactions to close out the covered syndicate short position involve either purchases of the common units in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make naked short sales of common units in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing common units in the open market. A naked short position is more likely to be created if the underwriters