

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 1, 2005

VALERO L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-16417
Commission File Number

74-2956831
(IRS Employee
Identification No.)

One Valero Way
San Antonio, Texas
(Address of principal executive offices)

78249
(Zip Code)

Registrant's telephone number, including area code: **(210) 345-2000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01

REGULATION FD DISCLOSURE

The Partnership is furnishing herewith certain information being presented to analysts and investors at the Coalition of Publicly Traded Partnerships' Master Limited Partnership Conference in New York, New York, on March 1, 2005. The presentation is set forth in Exhibit 99.1 hereto and incorporated by reference herein.

Item 9.01

FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits.

[99.1 Presentation by Valero L.P. \(the "Partnership"\) March 1, 2005](#)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VALERO L.P.

By: Riverwalk Logistics, L.P.
its general partner

By: Valero GP, LLC
its general partner

Date: March 1, 2005

By: /s/ Bradley C. Barron
Name: Bradley C. Barron
Title: Corporate Secretary

EXHIBIT INDEX

<u>Number</u>	<u>Exhibit</u>
<u>99.1</u>	<u>Presentation by Valero L.P. (the "Partnership") on March 1, 2005.</u>



*Master Limited
Partnership
Investor Conference
March 1, 2005*

ValeroLP

*Curt Anastasio
President and CEO*



Investor Notice

Valero L.P. has filed on January 25, 2005 an amended Form S-4 Registration Statement with the Securities and Exchange Commission (SEC) regarding its proposed mergers with Kaneb Services LLC ("Kaneb Services") and Kaneb Pipe Line Partners, L.P. ("Kaneb Partners"). Valero L.P., Kaneb Services and Kaneb Partners have also filed other relevant documents with the SEC. Investors and security holders are urged to read carefully the Form S-4 Registration Statement and other relevant documents, because they contain important information regarding Valero L.P., Kaneb Services, Kaneb Partners and the merger.

A definitive joint proxy statement/prospectus has been sent to security holders of Valero L.P., Kaneb Services, and Kaneb Partners seeking their approval of the merger transactions. The date for the special meetings of the unitholders of Valero L.P. and Kaneb Partners and shareholders of Kaneb Services has been set for March 11, 2005. Investors and security holders may obtain a free copy of the registration statement and other relevant documents containing information about Valero L.P., Kaneb Services, and Kaneb Partners, without charge, at the SEC's web site at www.sec.gov. Copies of the definitive joint proxy statement/prospectus and the SEC filings that will be incorporated by reference in the joint proxy statement/prospectus may also be obtained for free by directing a request to Kaneb Services or the respective partnerships.

Valero L.P., Kaneb Services, Kaneb Partners, and the officers and directors of Kaneb Services and of the respective general partners of Valero L.P. and Kaneb Partners may be deemed to be participants in the solicitation of proxies from their security holders. Information about these persons can be found in Valero L.P.'s, Kaneb Services', and Kaneb Partner's respective Annual Reports on Form 10-K filed with the SEC, and additional information about such persons may be obtained from the Form S-4 Registration Statement.



Valero L.P. Forward Looking Statements

Cautionary Statement Regarding Forward-Looking Statements

This presentation includes forward-looking statements within the meaning of the Securities Litigation Reform Act of 1995 regarding future events and the future financial performance of Valero L.P. All forward-looking statements are based on the partnership's beliefs as well as assumptions made by and information currently available to the partnership. These statements reflect the partnership's current views with respect to future events and are subject to various risks, uncertainties and assumptions. These risks, uncertainties and assumptions are discussed in Valero L.P.'s 2003 annual report on Form 10-K, the amended Form S-4 Registration Statement filed by Valero L.P. on January 25, 2005, and subsequent filings with the Securities and Exchange Commission.



Valero L.P.

- ◆ **A leading publicly traded growth MLP in the U.S. (NYSE:VLI)**
 - Market cap at IPO of \$470 million; currently around \$1.4 billion
 - Total shareholder return of over 90 percent since Valero Energy acquired UDS
 - Increased quarterly distribution from \$.60 to \$.80 per unit
 - Has delivered outstanding distribution growth while maintaining one of the strongest distribution coverage ratios in our peer group
- ◆ **Owns and operates diversified portfolio of logistics assets, serving 8 Valero Energy refineries**
 - 3,800 miles of refined product pipelines
 - 800 miles of crude oil pipelines
 - 22 refined product terminals
 - 4.5 million barrels of refined product storage capacity
 - 60 crude oil storage tanks
 - 12.5 million barrels of crude oil storage capacity

Valero L.P. System Overview



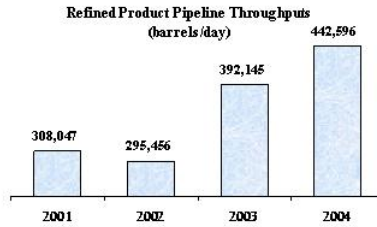
LEGEND	
	Valero Energy Refineries
	Refined Product Pipelines
	Crude Oil Pipelines
	Liquid Petroleum Gas Pipeline
	Hydrogen Pipeline
	Refined Product Terminals
	Nuevo Laredo Propane Terminal
	Crude Oil Storage Tanks
	Origin/Termination Points





Refined Product Pipelines

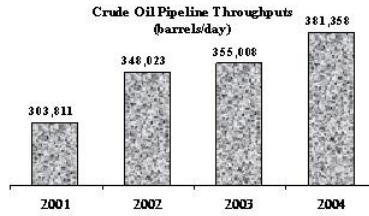
- ◆ 3,800-mile pipeline system - 24 refined product pipelines
- ◆ 39% of 2004 revenues
- ◆ Transports refined product from Valero Energy's McKee, Three Rivers, Corpus Christi and Ardmore refineries to terminals/3rd party pipelines
 - Market Distribution – Mexico, Texas, Oklahoma, Colorado, New Mexico, Arizona and other Mid-continent states





Crude Oil Pipelines

- ◆ 800-mile pipeline system comprised of 9 crude oil pipelines
- ◆ 24% of 2004 revenues
- ◆ Transports to Valero Energy's McKee, Three Rivers and Ardmore refineries
 - Markets – Texas, Oklahoma, Kansas and Colorado



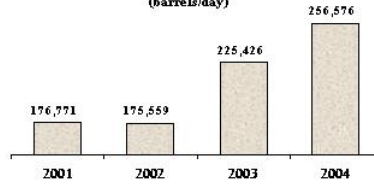


Refined Product Terminals

- ◆ 22 terminals with 4.5 million barrels of refined product storage capacity
- ◆ 18% of 2004 revenues
- ◆ Located in Texas, Colorado, New Mexico, California, Oklahoma, New Jersey and Mexico
- ◆ Per barrel handling fee and per barrel fee for refined product blending or filtering



Refined Product Terminal Throughputs
(barrels/day)

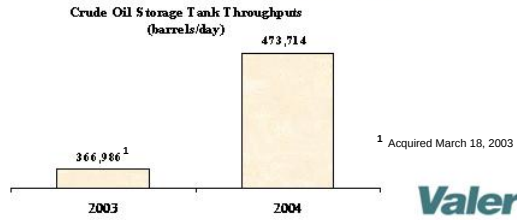
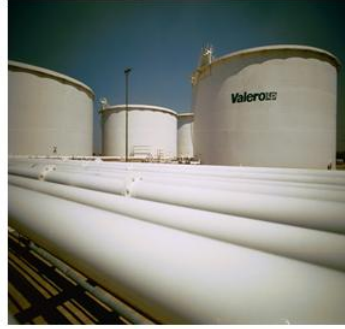


Valero LP



Crude Oil Storage Tanks

- ◆ 60 crude oil storage tanks with 12.5 million barrels of crude oil storage capacity
- ◆ 19% of 2004 revenues
- ◆ Serve Valero Energy's Benicia, Corpus Christi and Texas City refineries
- ◆ Fee charged for each barrel of crude oil and certain other feedstocks delivered





2004 Accomplishments

- ◆ Reported record 2004 earnings of \$72.5 million or \$3.15 per limited partner unit
- ◆ Delivered total unitholder return of over 26 percent
- ◆ Increased annual distribution by nearly 9 percent
- ◆ Capped incentive distribution payments to our general partner at 25 percent
 - One of only 2 master limited partnerships to have done so
- ◆ Acquired two state-of-the-art asphalt terminals from Royal Trading
- ◆ Commissioned new propane storage and distribution terminal in Nuevo Laredo, Mexico
- ◆ Announced agreement to acquire Kaneb Services LLC and Kaneb Pipe Line Partners, L.P.



Kaneb Acquisition

- ◆ Valero L.P. (NYSE: VLI) to acquire Kaneb Services (NYSE: KSL) and Kaneb Pipe Line Partners (NYSE: KPP) for \$2.8 billion
- ◆ VLI will acquire KSL for \$43.31 cash per share
- ◆ VLI will acquire KPP for \$61.50 per unit, subject to a fixed value collar of +/- 5%
- ◆ Upon closing, Valero Energy (NYSE: VLO) will continue to own 100% of the GP of VLI and 21% of the common units
- ◆ Upon closing, VLI management intends to recommend an increase in its common unit distribution to \$3.42 per unit
- ◆ Expect transaction to close in the second quarter of 2005



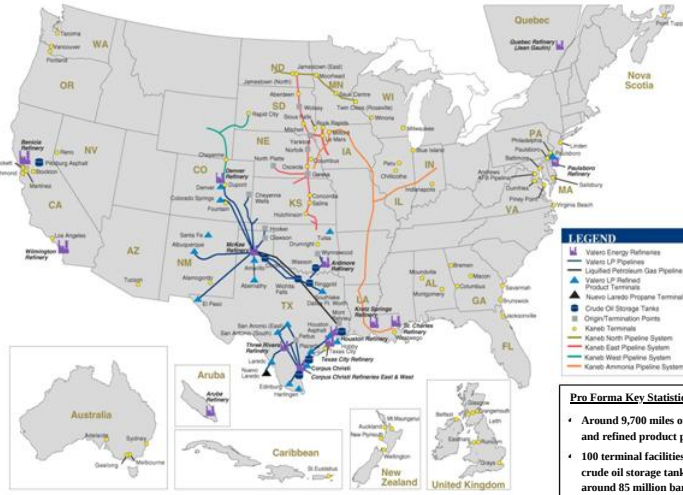
Strategic Rationale

- ◆ **Creates the largest terminal operator and 2nd largest petroleum liquids pipeline operator in the U.S.**
- ◆ **Transaction is expected to be cash flow accretive**
 - **2005 pro forma distributable cash flow accretion of 37 cents per unit ¹**
- ◆ **Expect \$365 million of 2005 projected pro forma EBITDA ¹**
- ◆ **Expect to achieve at least \$25 million annually in synergies**
- ◆ **Greatly expands geographic presence and enhances growth prospects**
- ◆ **Diversifies VLI's customer base**

¹ See Appendix for pro forma assumptions.



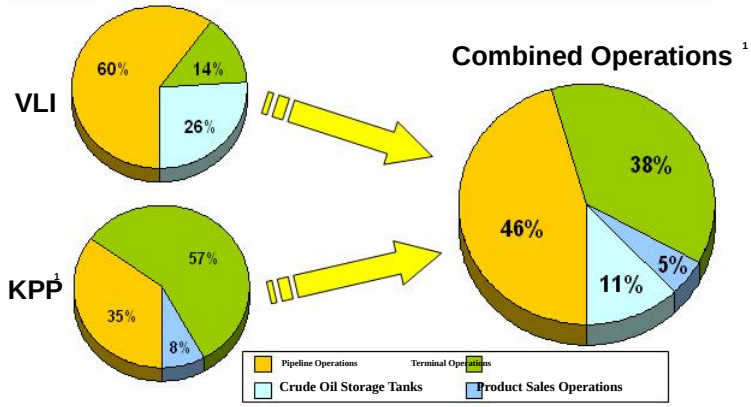
Combined Operations





Enhances Earnings Diversity

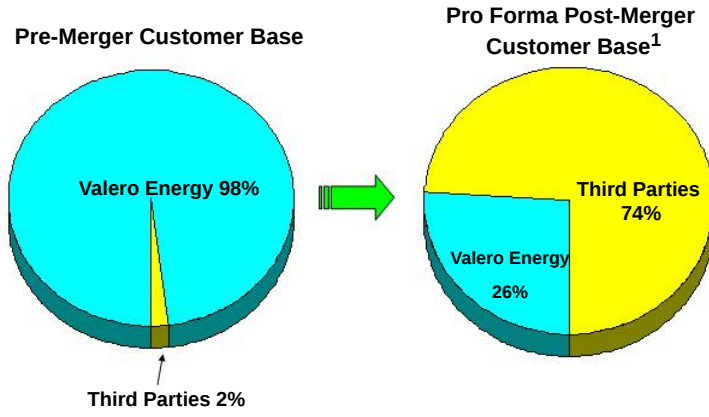
Percent of Operating Income by Segment



¹ Excludes operating income of Martin Oil, a marketing subsidiary of KSL.
Note: Percentage of total operating income is for the nine months ended September 30, 2004



Less Dependence on One Customer



- ◆ Dependence on McKee System reduced from 40% to 15% of EBITDA

¹ Excludes revenue of Martin Oil, a marketing subsidiary of KSL.

Note: Percentages based on total revenues for the nine months ended September 30, 2004



Strategy Going Forward

- ◆ **Successfully integrate Kaneb assets and employees into the Valero L.P. system**
- ◆ **Identify opportunities to grow the newly expanded base business**
- ◆ **Continue to pursue external growth opportunities**
- ◆ **Maintain conservative financial structure**
- ◆ **Maintain strong distribution coverage and deliver top-tier distribution growth**



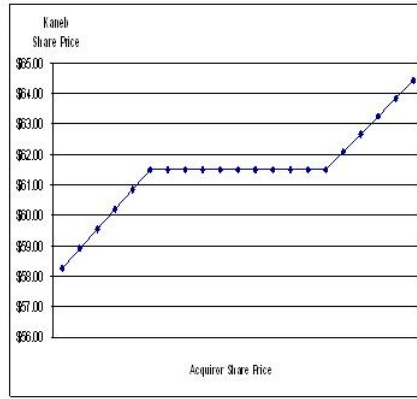
Appendix



Fixed Value Collar

Fixed Value Collar Structure

	Valero L.P.	Kaneb	Barco
-10%	\$ 5153	\$ 58.26	1.131
-9%	5210	58.91	1.131
-8%	5267	59.56	1.131
-7%	5324	60.21	1.131
-6%	5382	60.85	1.131
-5%	5439	61.50	1.131
-4%	5496	61.50	1.119
-3%	5553	61.50	1.107
-2%	5611	61.50	1.086
-1%	5668	61.50	1.085
Baseline	5725	61.50	1.074
+1%	5782	61.50	1.064
+2%	5840	61.50	1.053
+3%	5897	61.50	1.043
+4%	5954	61.50	1.033
+5%	6011	61.50	1.023
+6%	6069	62.09	1.023
+7%	6126	62.67	1.023
+8%	6183	63.26	1.023
+9%	6240	63.84	1.023
+10%	6298	64.43	1.023





Pro Forma Assumptions ¹

Closing Date:	Assumed at December 31, 2004
Forecast:	<u>2004</u> : Based on 9 mos. actuals and 4 th quarter forecasts for each entity as of November 1, 2004 <u>2005</u> : Internal budgets prepared by each entity as of November 1, 2004
Distribution:	GP's incentive distribution limited to 25%. Adopt Kaneb's distribution of \$3.42 per unit. Distributable cash flow accretion calculated assuming distribution of all distributable cash flow.
Synergies:	\$25 million per year
Units Outstanding:	47.9 million units outstanding pro forma
Fixed Value Collar:	Baseline value set at \$61.50 and exchange ratio of 1.074 VLI units for each KPP unit
Interest Rates:	Interest rate on new term debt at 6.5% Interest rate on revolving credit debt at 4%
Debt Assumption/Refinancing:	VLI will assume KPP's public debt and refinance bank debt
KSL Purchase:	To be paid in cash and debt-financed by VLI in either the public or bank market

¹ See footnote on slide 20.



Reconciliation of Net Income to EBITDA and Distributable Cash Flow

The following is a reconciliation of net income to EBITDA and distributable cash flow (in thousands):

	YTD 9/30/2004		2005
	Valero L.P.	Kaneb Partners	Projected Pro Forma
Net income	\$59,063	\$67,123	\$176,255
Plus net interest expense & other	15,630	32,180	94,449
Plus depreciation & amortization	24,536	41,677	94,034
Plus income tax expense	n/a	3,055	n/a
EDITDA	99,229	144,035	364,738
Less VLI's Skelly interest	121	n/a	n/a
Less interest expense	(15,630)	(31,389)	(92,455)
Less income taxes	-	(3,403)	(4,188)
Less reliability capital	(7,030)	(17,439)	(46,427)
Distributable Cash Flow	76,690	91,804	221,668

¹ Based on the assumptions set forth on Slide 19. While we believe that the assumptions underlying these budgets and the other pro forma calculations included in this presentation are reasonable in light of current beliefs concerning future events, the assumptions are inherently uncertain and are subject to significant business, economic, regulatory (including the effect of any divestitures that may be required for governmental clearance of the proposed mergers) and competitive risks and uncertainties that could cause actual results to differ materially from those anticipated. If the assumptions are not realized, then actual cash available for distribution could be significantly lower.



Valero L.P. Financial Performance

(Dollars in millions, except EPU)

	<u>1Q04</u>	<u>2Q04</u>	<u>3Q04</u>	<u>4Q04</u>	<u>FY 04</u>
Total Throughput (MBPD)	1,535	1,589	1,592	1,501	1,554
Revenue	\$52.3	\$55.7	\$58.1	\$54.7	\$220.8
Operating Expenses	17.9	20.2	21.6	18.6	78.3
G&A	2.0	2.6	3.6	3.1	11.3
Depreciation	7.9	8.3	8.4	8.6	33.2
Operating Income	24.5	24.6	24.5	24.4	98.0
Interest Expense	5.1	5.1	5.4	5.3	20.9
Equity Income from Affiliates	0.6	0.2	0.3	0.3	1.3
Net Income	20.0	19.7	19.4	19.4	78.4
Income Tax Provision	-	-	-	-	-
GP Distribution	1.5	1.5	1.5	1.5	5.9
Net Income applicable to LPs	\$18.5	\$18.2	\$17.9	\$17.9	\$72.5
EPU	\$0.80	\$0.79	\$0.78	\$0.78	\$3.15
Common units (in thousands)	23,041	23,041	23,041	23,041	23,041