

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): **December 7, 2004**

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))
-

The Partnership is furnishing herewith certain information being presented to analysts and investors at the Wachovia Pipeline Conference and Symposium on December 7, 2004. The presentation is set forth in Exhibit 99.1 hereto and incorporated by reference herein.

The information in this report is being furnished, not filed, pursuant to Item 7.01 of Form 8-K. Accordingly, the information in this report, including the exhibit, will not be incorporated by reference into any registration statement filed by the Company under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits.

99.1 Presentation by Valero L.P. (the "Partnership") December 7, 2004.

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: December 7, 2004

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

Number

Exhibit

99.1 Presentation by Valero L.P. (the "Partnership") on December 7, 2004.



Valero LP

Steve Blank, CFO

*Wachovia Pipeline Conference &
Symposium*

December 7, 2004



Investor Notice

Valero L.P. ("Valero LP") has filed on November 23, 2004 a 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 LP, Kaneb Services, Kaneb Partners and the merger.

A definitive joint proxy statement/prospectus will be sent to security holders of Valero LP, Kaneb Services, and Kaneb Partners seeking their approval of the merger transactions. Investors and security holders may obtain a free copy of the registration statement and other relevant documents containing information about Valero LP, 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 (when available) 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 LP, Kaneb Services, Kaneb Partners, and the officers and directors of Kaneb Services and of the respective general partners of Valero LP 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 LP'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 the prospectus and prospectus supplement, Valero L.P.'s 2003 annual report on Form 10-K and subsequent filings with the Securities and Exchange Commission.



Valero L.P.

- ◆ **One of the leading publicly traded growth MLPs in U.S. (NYSE:VLI)**
 - Market cap at IPO of \$470 million; currently around \$1.3 billion
 - Increased quarterly distribution from \$.60 to \$.80 per unit
- ◆ **Own and operate diversified portfolio of logistics assets, serving 8 Valero Energy refineries**
 - 3,800 miles of refined product pipelines
 - 800 miles of crude oil pipelines
 - 21 refined product terminals
 - 4.5 million barrels of refined product storage capacity
 - 12.6 million barrels of crude oil storage capacity



System Overview

LEGEND

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

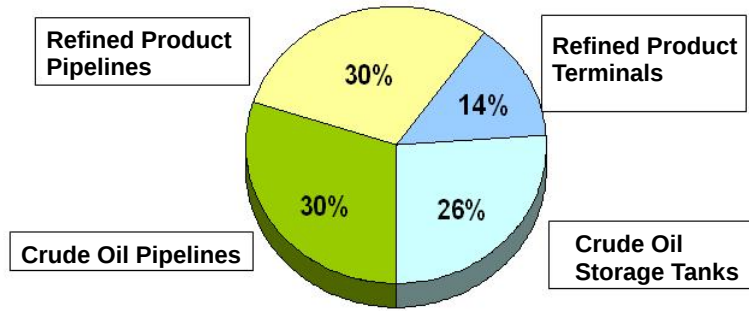
Key Statistics:

- 3,800 miles of refined product pipelines
- 800 miles of crude oil pipelines
- 21 terminals with 4.5 million barrels of refined product storage capacity
- 4 primary crude oil storage tank facilities with 12.6 million barrels of crude oil storage capacity





Balanced Portfolio of Assets



- ◆ Percentage of total operating income for the nine months ended September 30, 2004



Strong Relationship with Valero Energy

- ◆ **Valero L.P. assets critical to profitability of 8 Valero Energy refineries**
 - Long-term handling and throughput agreements in place
 - 100% of crude oil and other feedstocks at 3 refineries
 - 75% of feedstocks and production at 3 refineries
- ◆ **Valero Energy retains all commodity risk**
- ◆ **Pre-existing environmental risk retained by Valero Energy**
- ◆ **Insurance coverage through Valero Energy's program**
- ◆ **Valero Energy maintains a significant retained interest**
 - 46% ownership (44% subordinated common; 2% GP interest)
 - GP weighted average incentive distribution at around 7.6%
- ◆ **GP's incentive distribution limited to 25%**



Capital Structure

(Dollars in millions)

Sept. 30, 2004

\$175mm Revolving credit facility	\$ 38.0
Long term debt, including current	9.2
6.875% senior notes due 2012	99.1
6.05% senior notes due 2013	<u>249.3</u>
Total Debt	<u>395.6</u>
Common units	310.8
Subordinated units	118.2
General partner's equity	<u>9.9</u>
Total Partners' Equity	<u>438.9</u>
Total Capitalization	<u>\$834.5</u>
Debt-to-Book Capitalization	47.4%
Debt-to-EBITDA ¹	3.3x

¹ For purposes of this calculation, EBITDA for the last 12 months was used.



Financial Performance

(Dollars in millions, except EPU)

	<u>3Q04</u>	<u>YTD</u> <u>9/30/2004</u>
Total Throughput (MBPD)	1,592	1,572
Revenue	\$58.0	\$166.1
Operating Expenses	21.6	59.8
G&A Expense	3.6	8.2
Depreciation	<u>8.4</u>	<u>24.5</u>
Operating Income	24.4	73.6
Interest Expense	5.4	15.6
Equity Income from Affiliates	<u>0.4</u>	<u>1.1</u>
Net Income	\$19.4	\$59.1
Net Income applicable to LPs	\$17.9	\$54.6
Earnings per Unit	\$0.78	\$2.37
Distributable Cash Flow		
applicable to LPs	\$22.7	\$67.9
Coverage Ratio applicable to LPs	1.23x	1.23x



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 intends to recommend an increase in its common unit distribution to \$3.42 per unit
- ◆ Expect transaction to close in the 1st quarter 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 to both VLI and KPP unitholders**
- ◆ **Expect to achieve at least \$25 million annually in synergies**
- ◆ **Greatly expands geographic presence and enhances growth prospects**
- ◆ **Diversifies VLI's customer base**
- ◆ **Relationship with Valero Energy creates additional opportunities**

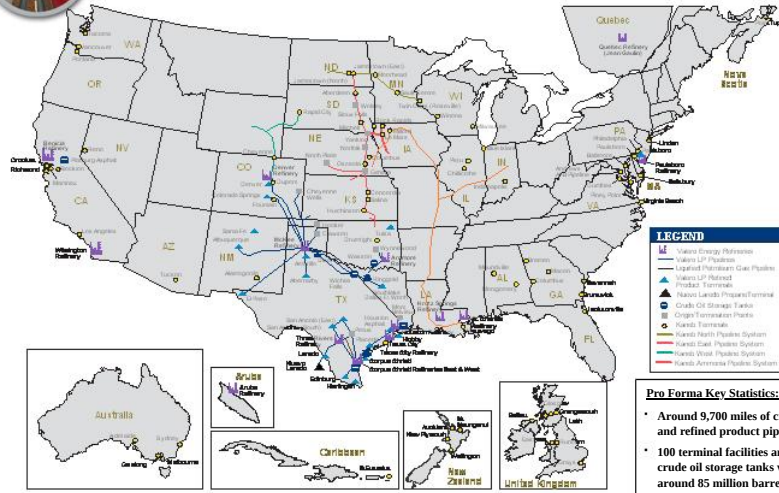


The Combined Enterprise

- ◆ Creates one of the largest MLPs with an enterprise value of approximately \$4.3 billion
- ◆ Combined entity will operate around 9,700 miles of refined product and crude pipelines
- ◆ 100 terminals and 4 crude oil storage tanks with approx. 85 million barrels of storage capacity
- ◆ Combined partnership expected to be rated investment grade by Moody's and S&P
- ◆ Bill Greehey will remain Chairman of the Board and Curt Anastasio will remain President and CEO
- ◆ Headquartered in San Antonio



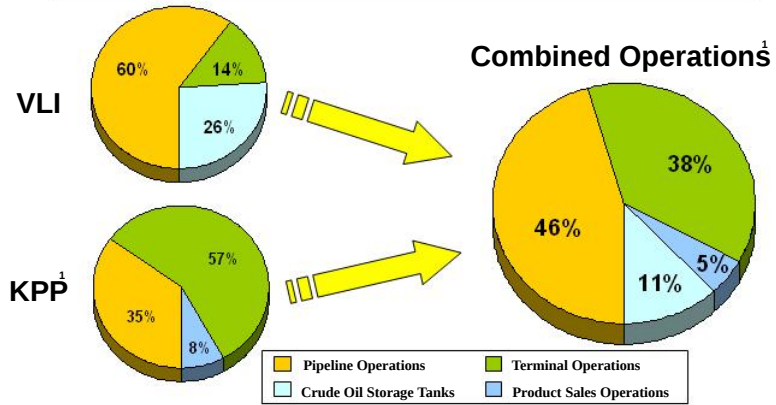
Combined Operations





Better Earnings Diversity

Percent of Operating Income by Segment

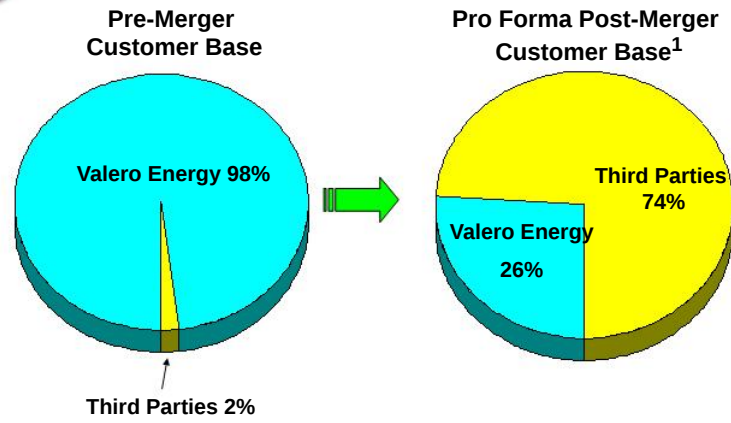


¹ Excludes operating income of Martin Oil, a marketing subsidiary of KSL.

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



Financing Plan

Sources of Funds: (Dollars in millions)

Valero L.P. common unit exchange ¹	\$1,422
New debt issuance	550
Less: cash assumed	(79)
Debt assumed at book value	686
Debt assumed FV write-up	44
Other liabilities assumed	180
Valero Energy capital contribution to maintain 2% GP	<u>28</u>
Total Sources	<u>\$2,831</u>

Uses of Funds:

Current Assets	\$ 112
Property, Plant & Equipment	1,681
Other Assets	34
Goodwill & other intangible assets	<u>1,004</u>
Total Uses	<u>\$2,831</u>

¹ Assuming exchange at mid-point of fixed value collar



Pro Forma Debt Position

(Dollars in millions)

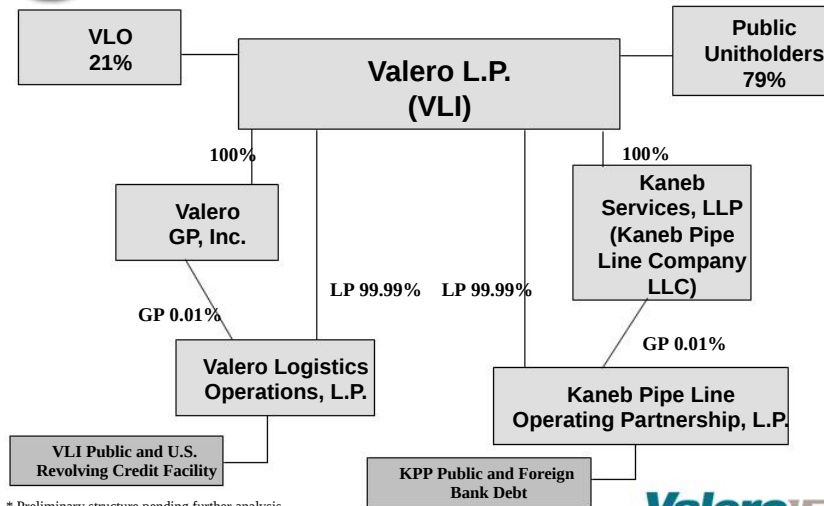
<u>Issuer</u>	<u>Amount</u>	<u>Maturity</u>
Valero Logistics Operations (6.875%) ¹	\$100	2012
Valero Logistics Operations (6.05%) ¹	\$250	2013
Kanab Pipe Line Operating Partnership, L.P. (5.875%) ²	\$250	2013
Kanab Pipe Line Operating Partnership, L.P. (7.75%) ²	\$250	2012
New Valero Logistics Operations - term debt	\$500	
- \$400 mm revolving credit facility and other bank borrowings ²	\$158	5-Year Revolver

¹ Guaranteed by VLI, non-recourse to Valero Energy

² Estimated draw down at close



Pro Forma Ownership Structure



* Preliminary structure pending further analysis.



Great Combination of Assets

- ◆ **Expected synergies of \$25 million annually**
 - Corporate expense reduction & other - \$10 million
 - Terminal operations - \$6 million
 - Pipeline operations - \$5 million
 - Operating cost reductions - \$4 million
- ◆ **\$365 million of 2005 projected pro forma EBITDA¹**
- ◆ **2005 pro forma distributable cash flow accretion of 37 cents per unit¹**
- ◆ **Pro forma debt-to-capitalization ratio at approximately 46%**
- ◆ **Expected to be investment grade rated**

¹ See Appendix for pro forma assumptions.



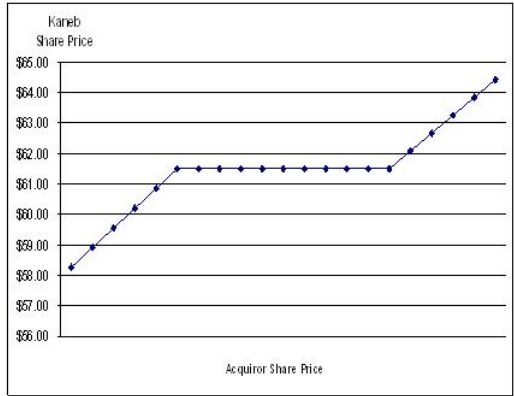
Appendix



Fixed Value Collar

Fixed Value Collar Structure

	Valero L.P.	Kaneb	Ratio
-10%	\$ 51.53	\$ 58.26	1.131
-9%	52.10	58.91	1.131
-8%	52.67	59.56	1.131
-7%	53.24	60.21	1.131
-6%	53.82	60.85	1.131
-5%	54.39	61.50	1.131
-4%	54.96	61.50	1.119
-3%	55.53	61.50	1.107
-2%	56.11	61.50	1.096
-1%	56.68	61.50	1.085
Baseline	57.25	61.50	1.074
+1%	57.82	61.50	1.064
+2%	58.40	61.50	1.053
+3%	58.97	61.50	1.043
+4%	59.54	61.50	1.033
+5%	60.11	61.50	1.023
+6%	60.69	62.09	1.023
+7%	61.26	62.67	1.023
+8%	61.83	63.26	1.023
+9%	62.40	63.84	1.023
+10%	62.98	64.43	1.023





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 ¹
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 23. While we believe that the assumptions underlying these budgets are reasonable in light of current beliefs concerning future events, the assumptions are inherently uncertain and are subject to significant business, economic, regulatory 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.



Pro Forma Assumptions

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